



# ANNUAL REPORT 2011

**GSteel**

G Steel Public Company Limited



# VISION & MISSION

## CORPORATE VISION

We will be a world-class steel industry leader.

## CORPORATE 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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## General Information

### Name, Address and Nature of Business

Name	G STEEL PUBLIC COMPANY LIMITED
Symbol	GSTEEL
Registration Number	0107538000746
Head Office	18 <sup>th</sup> 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	<a href="http://www.gsteel.com">http://www.gsteel.com</a>
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	29,798,589,773 Baht
Ordinary Shares	29,798,589,773 Shares
Par Value	1 Baht per share
Paid-up Capital	17,028,557,473 Baht
Paid-up Ordinary Shares	17,028,557,473 Shares

### Referrals and Their Locations

#### Common Stock Registrar

Ordinary Shares	Thailand Securities Depository Company Limited 4 <sup>th</sup> and 7 <sup>th</sup> 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 Buranakittisophon, 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 <sup>th</sup> Floor, Empire Tower, 195 South Sathorn Road, Bangkok 10120 Tel. 0-2677-2000 Fax. 0-2677-2222

## Financial Highlights

Information from consolidated financial statements of the Company and its Subsidiaries		2011	2010	2009 (Restated)
Total assets	(Million Baht)	44,123	45,446	56,332
Total liabilities	(Million Baht)	29,416	27,736	29,349
Shareholders' equity	(Million Baht)	14,707	17,710	26,983
Sales revenue	(Million Baht)	30,525	22,904	21,952
Total revenue	(Million Baht)	31,830	29,706	27,063
Gross profit (loss) from sale	(Million Baht)	(594)	(391)	(9,030)
Net profit (loss)	(Million Baht)	(3,250)	(12,167)	(13,540)
Accumulated net profit (loss)	(Million Baht)	(11,285)	(8,760)	1,354
Financial Ratios				
Liquidity ratio	(Times)	0.20	0.19	0.13
Debt to equity ratio	(Times)	2.00	1.57	1.09
Gross profit (loss) ratio	(%)	(1.94)	(1.71)	(41.13)
Net profit (loss) ratio	(%)	(7.93)	(34.05)	(38.11)
Average return on equity ratio	(%)	(29.12)	(72.50)	(44.42)
Average return on assets ratio	(%)	(5.64)	(19.87)	(17.01)
Net earnings (loss) per share	(Baht)	(0.15)	(0.73)	(0.75)
Book value per share	(Baht)	0.44	0.60	1.31

## Message from Chairman of the Board of Directors

2011 is another year with fluctuations of several economic factors starting from the crisis of oil the price of which was higher, the Baht currency got stronger continuously, including the fragility of the world economy, especially the U.S. and the European Union economies still were not revived. Also the natural disasters tend to occur more often and more severely in several continents around the world. Thailand was impacted from the severe floods during the end of last year that caused loss in terms of economy of the country enormously. The investments of the private sector have shrunk resulted from those damages and stopped production in several plants in the industrial estates in the central region, especially the industries of automobile, electronics and electric appliances, including the residential construction projects being interrupted.

As for the significant quantity of iron and steel making in the country in 2011 approximately 12,597,555 metric tons, it was reduced a little by 0.02% compared with that of the same period of the previous year, as a result from a little decreased demand of the country for flat steel due to the impact from the floods since the end of September. It made the steel demand of the downstream industries like automobile and electric appliance decreased; while the longitudinal steel found the used quantity increased a little by 0.33% since the situation of construction industry still remained stable.

As a result, the Company had the increased turnover at the end of 2011, while it and its subsidiaries had the revenue from sales at Baht 30,525 million, increased from the previous year by Baht 7,621 million and had the year-round turnover at Baht 31,830 million, increased over the previous year by Baht 2,124 million.

However, on 19 December 2011 the Company received from ArcelorMittal Netherlands B.V. ("AM") the dated 15 December 2011 notice of termination of the contract to buy common shares, and the Company agreed with the termination of the increased common share sales contract by AM since this complied with the condition of the investment in accordance with the contract while the Company was trying to solve the liquidity problem to increase the working capital for operations, including restructuring of the management and capital of the Company to the suitable level. However, the Company appointed a financial consultant on 28 October 2011, and now the Company and its financial consultant were in the midst of negotiations with the potential investors interested in the investment. The Company also negotiated debt restructuring with the creditors, with confidence that in the near future the Company can solve the liquidity problem of the working capital, can build the cash flow that is sufficient in the operation and/or can source for the credit facilities from various sources so as for the Company's continuous operation.

Year 2012 is the important step that the Company can restructure the management and its operations to enter into the international level. The management and all of its employees have to cooperate to undergo the crisis to create the opportunity in the business growth ahead with sustainability.

On behalf of the Board of Directors, I appreciate the trust and good support the shareholders, customers, trade partners and business allies have given for the operations of the Company all along.

  
(Vijit Supinit)

Chairman of the Board of Directors



## Chief CSR Report

With awareness of responsibility in good governance, G Steel Public Co., Ltd., the only one maker of hot rolled steel in Thailand that the melting, casting and rolling are integrated in one mill, does business with attention in the production process not to create impact on the communities around the factory. It focuses on every procedure of operation to be friendly to the environment, reiterates the use of resources with effectiveness. With Corporate Social Responsibility (CSR), it produces good products to the consumers, while in Inner CSR project, giving priority to taking care of the employees in terms of their happiness, good way of life, good welfare, and safety at work. The Inner CSR project includes the projects of Expertise Sharing, Waste Recycle, Happy Soul, etc, as well as promoting personnel training so as for their knowledge, competency, and life experience. All these have always been G Steel's core policy.

In 2011 the employees of all levels of G Steel continuously participated in various activities, organized by both public and private sectors, throughout the year. They participated in the development of economy, society, community, and public benefits. These included cultural promotion and cultural heritage conservation, social development, and environment betterment.

The results of the focus on CSR of G Steel that took place continuously in 2011 helped it to receive 2 renown awards from the government sector, e.g. CSR-DIW Continuous Awards for its continuous operation of Corporate Social Responsibility, and CSR-DIW Networks Awards from the Department of Industrial Works, Ministry of Industry with joint evaluation of MASCI (Management System Certification Institute), the ISO certification body, for its cooperation with CSR-DIW Networks in planning on community development by using its potential in line with a sustainable direction. With continued determination under volunteer spirit and dedication to sustain the commitment both at executive and non-executive levels, G Steel will go on as an organization running business responsibly to society, community, and environment.



(Khunying Patama Leeswadtrakul)  
Chief CSR

## 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	2011		2010		2009 (Restated)	
		Income	%	Income	%	Income	%
Sales form	Domestic	30,346	95.0	22,152	74.6	20,271	74.9
Hot Rolled Coil	Overseas	179	1.0	752	2.5	1,681	6.2
Less : Trade Discount		-	-	-	-	-	-
	Total	30,525	96.0	22,904	77.1	21,952	81.1
Other Income		1,305	4.0	6,802	22.9	5,111	18.9
<b>Total Income</b>		<b>31,830</b>	<b>100</b>	<b>29,706</b>	<b>100</b>	<b>27,063</b>	<b>100</b>

*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 2011, 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 Steel Sheet Industry in 2011

Worldwide steel industries were almost stable and maintained throughout 2011 after recovering from a downturn in 2010. Steel prices somewhat moved up and down in line with the basic factors of demand and supply. In overall, steel demand grew a little and prices increased in the first quarter of 2011, then became stable during the second and the third quarters; and weakened in the last quarter of the year, respectively. The situation of global hot rolled steel industry was similar to Thailand's but different in some countries where unusual incidents occurred, such as in April Japan faced severe natural disasters that caused, in short term, diminished demand for raw materials in steel making, as well as supply of scraps to the East and Southeast Asia. Also, a sudden decline of the supply of various kinds of finished steel products had an effect on the related industries that consume steel as raw materials like automobile parts industry, high-tech machinery, electronics, and electrical appliances. Until in October through December severe floods occurred in Thailand that impacted widely on manufacturing industrial sectors throughout supply chain, including those consuming steel sheet as raw materials. Though the domestic hot rolled steel producer like the Company's plant was not directly impacted by the floods, its customers being impacted during the time postponed or stopped their orders or their accepting deliveries of hot rolled steel sheet. The effect to upstream industries as hot rolled steel sheet was hardly avoidable.

Since the domestic hot rolled steel industries, in June 2011, requested the Antidumping and Countervailing Committee to initiate an antidumping investigation on the import of hot rolled steel sheet from China and Malaysia, the investigation procedure completed and the results were announced in August 2011 with imposition of antidumping duty on hot rolled steel sheet imported from China and Malaysia for 5 years. It was a crucial international trade measure applied in 2011 that eliminated quite successfully the earlier unfair trade practice that had caused troubles to the domestic hot rolled steel sheet industry.

Another important antidumping measure was applied to heal the domestic hot rolled steel industry for the long-time trouble caused by dumping of "boron-added" hot rolled steel from China in large quantities at unfair low prices by abusing the loophole in customs classification or harmonized codes to declare the said imported goods as "alloy steel" despite the purpose of use is the same and can be replaced with those of the domestic producers. To add only a little of boron substance can pass the minimum criterion and can be declared as "alloy steel" while the "non-alloy steel" in 2011 up to now is regarded at quite high antidumping duty. The domestic producers thus requested the Antidumping and Countervailing Committee to initiate antidumping investigation on "boron-added" hot-rolled steel sheet from China. In August 2011 the Committee announced a temporary measure, so as to help reduce the severe impact on the domestic producers, bank guarantees to be pledged as collateral from the importers of the said goods during the time the investigation is in process. Later in November the temporary measure was announced to be extended until February 2012 so as to continue lessening the troubles the domestic producers has faced, and also to prevent any other dumping at the time the investigation is not yet finished.

According to the statistics from Iron and Steel Institute of Thailand, the total aggregated demand for hot rolled steel, including other types of steel that consume hot rolled steel as raw material, was 9.89 million tons in 2011, a growth rate of 5.3% over the previous year. The composition of hot rolled steel (carbon steel and alloy steel, excluding stainless steel) for direct use was 6.38 million tons, growing 0.8% from the previous year which was 6.33 million tons. Such growth rate was not as high as it should be due to the severe floods that impacted the downstream industries in the last quarter of 2011, and also due to a significant portion of market share taken by the unfair imported boron-added hot rolled steel from China aforementioned.

## **Trend of Hot Rolled Steel Sheet in 2012**

Considering the economic analysis made by several specialists in Thailand and abroad, it has been identically said that the world economy in 2012 would not be fruitful. Hence the effect on demand for hot rolled steel in foreign markets tends to maintain at the previous year level. No indicators are showing growth significantly, especially in China and Japan where economies have still been slower than in the past. While in those superpowers in the Western World, the economies have fallen into stagnant to recessed states. Anyhow, many Asian countries are still the main driving force of the world economic growth due to the increasing consumption and investment, as well as Thailand's reconstruction and rehabilitation after the floods, including the government's infrastructure development projects kicked off since the beginning of the year, altogether with more plans ahead to go for. However, the difficulties due to Thai politics would tend to arise. The monetary and financial risks of the government may hamper the country's economy and development from moving forward at full speed. The Company, though, expects Thailand's economy not to be weakened as those huge troublesome economies as aforementioned.

In Thailand, the pricing regulations deployed by the Department of Internal Trade on hot rolled steel sheet are being eased up. Resulted from the producers' good cooperation for a very long period of time holding the prices at a reasonable level that caused no troubles to consumers, the producers can decide with customers the selling prices based on market mechanism or normal business conditions.

The problems resulted from boron or other substance added steel unfairly imported to Thailand with duty and tax evasion, in the near future will be administered by the government through a new related law as in developed countries, especially in the US that have enforced for some long time such a law to prevent and punish those intentionally evading the duty and tax.

The troubles caused by dumping imported goods tend to diminish since the antidumping measures have already been enforced in those countries of high capital potential and excess production capacity. The possibility, therefore, is extremely scarce that any other countries will unfairly export hot rolled steel at a dumping price in the year 2012 and beyond. The Company is certain that the Thai government will naturally administer the interest and the economy of the country.

# Report on 2011 Performance and Key Events

## Company's Performance

At the end of 2011 the company and its subsidiaries had total assets accounting for Baht 44,123 million, total liabilities at Baht 29,416 million, and total shareholders' equity at Baht 14,707 million. Sales turnover for the whole year was Baht 31,829 million which increased from the previous year with net loss of Baht 3,250 million or Baht 0.15 loss per share.

## Key Events in 2011

### **The expiration of 5-year (2006-2011) warrants allocated to directors and employees (ESOP)**

For the warrants allocated to directors and employees (ESOP) total 99,972,200 units expired after exercise period of 5 years (2006-2011) 12 January 2011. The exercised warrants were 435,198 units while 27,064,664 units were cancelled due to the resignation of the directors and employees. The balance of 72,472,338 units was not exercised within the exercise period.

### **Verification of the rationale, necessity and basis of the increase of the Company's registered capital and the allocation of not more than 11,920,000,000 newly issued ordinary shares with the par value of Baht 1 per share to ArcelorMittal Netherlands B.V. ("AM").**

On 1 March 2011 the Board of Directors' meeting No. 2/2011 approved the verification of the rationale, necessity and basis of the increase of the registered capital by issuing the common shares to be allocated not more than 11,920,000,000 shares with the par value of Baht 1 per share to AM according to the notification of the SEC No. OrJor 8/2541 Re: Rules, conditions and methods in applying for tender offer waiver for business restructure.

### **Approval in principle for buying back the US\$ 68 million "GS Bonds" from the noteholders**

On 13 May 2011 the Board of Directors' meeting No. 6/2011 approved in principle for the Company to buy back the US\$ 68 million "GS Bonds" from the noteholders with the settlement in lump sum cash the condition of which is the Company would buy back after the investor has become a shareholder of the Company.



**Increase of the registered capital by issuing the common shares amounted to 13,316,894,575 shares with the par value of Baht 1 per share from the existing registered capital of Baht 16,481,695,198 to Baht 29,798,589,773 to support the debt restructuring of the Company.**

On 15 August 2011 the Company's Extraordinary General Meeting of Shareholders No. 1/2011 passed the following resolutions:

1. Reduction of the Company's registered capital of 2,478,304,802 shares at the par value of Baht 1 per share from the existing registered capital of Baht 18,960,000,000 to Baht 16,481,695,198 by cancelling the Company's unissued shares.
2. Increase of the Company's registered capital of Baht 16,481,695,198 to Baht 29,798,589,773 by issuing 13,316,894,575 common shares at the par value of Baht 1 per share.
3. Allocation of the Company's newly issued common shares up to 1,396,894,575 shares at the par value of Baht 1 per share under a debt to equity conversion to the creditors as follows:
  - 1) Allocation of the newly issued common shares to Kwang Sogo Investment Co., Ltd. not more than 850,032,300 shares at the par value of Baht 1 per share at the price of Baht 0.63 per share in accordance with the debt to equity conversion scheme.
  - 2) Allocation of the newly issued common shares to Pacific Harbor Advisors Pte., Ltd. not more than 546,862,275 shares at the par value of Baht 1 per share at the price of Baht 1 per share in accordance with the debt to equity conversion scheme.
4. Allocation of the Company's newly issued common shares to ArcelorMittal Netherlands B.V. ("AM") not more than 11,920,000,000 shares at the par value of Baht 1 per share at the offering price of not lower than Baht 0.63 per share.
5. Amendment of the Company's Articles of Association Nos. 8, 23, 25 and 27 and the conditions stated in the Company's BOI Certificate No. 1047/1996 dated 29 January 1996, No. 5201/1999 dated 29 July 1999, No. 1579 (2)/2005 dated 29 June 2005 and No. 1829(2)/2006 dated 29 August 2006.
6. Purchase of newly issued common shares of G J Steel Public Co., Ltd. ("GJS") as follows:
  - 1) GJS's 6,854,166,667 shares will be acquired by the Company and Oriental Access Co., Ltd. ("OA") which is a subsidiary of the Company through a debt to equity conversion.
  - 2) GJS's not more than 15,000,000,000 shares will be acquired by the Company through a private placement.
  - 3) GJS's not more than 22,385,641,061 shares to be acquired by the Company from GJS's existing shareholders (in case the Company is required for tender offer after the transaction).

#### 7. Entering into the transactions

- (a) Issuing and allocating the common shares not no more than 11,920,000,000 shares at the par value of Baht 1 per share to AM.
- (b) Entering into the Credit Facilities Agreement between the Company and GJS (as the borrowers) and AM (as the lender).
- (c) Signing the Business Assistance Agreement between the Company, GJS and AM.

### **Receiving the CSR-DIW Continuous Awards 2011**

In September 2011 the Company received the CSR-DIW Continuous Awards for its continuous operation up to the standard of Corporate Social Responsibility from the Department of Industrial Works, Ministry of Industry since 2008 whereby it has been adapted and developed for use in the Company's CSR practice continuously.

### **Receiving the CSR-DIW Networks Awards 2011**

In September 2011 the Company received the CSR-DIW Networks Awards 2011 from the Department of Industrial Works, Ministry of Industry with joint evaluation of MASCI, the ISO certification body, for its cooperation with CSR-DIW Networks in planning on community development by using its potential in line with sustainable direction.

### **Acknowledgement of the quality assessment on holding the Annual General Shareholders' Meeting for 2011 as "Excellent" from the SEC with joint evaluation of the Thai Investors Association.**

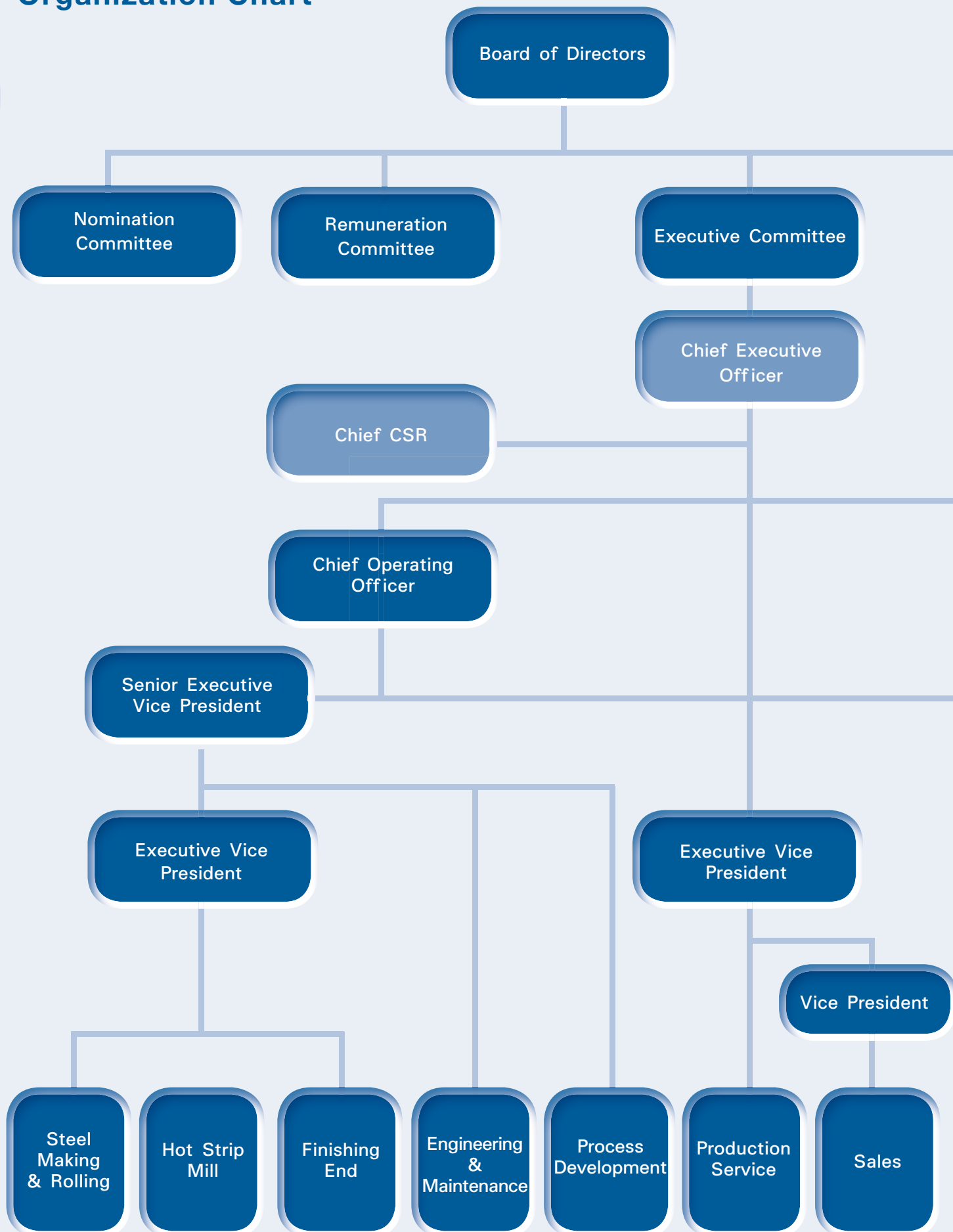
In October 2011 the Company acknowledged the result of quality assessment on holding the Annual General Shareholders' Meeting (AGM) for 2011 on 27 April 2011 at the score between 90-99 that was regarded as "Excellent" from the SEC with joint evaluation of the Thai Investors Association.

### **Acknowledge and agree to the termination of Subscription Agreement dated 1 March 2011 with ArcelorMittal Netherlands B.V. ("AM") according to the notice from AM on 19 December 2011.**

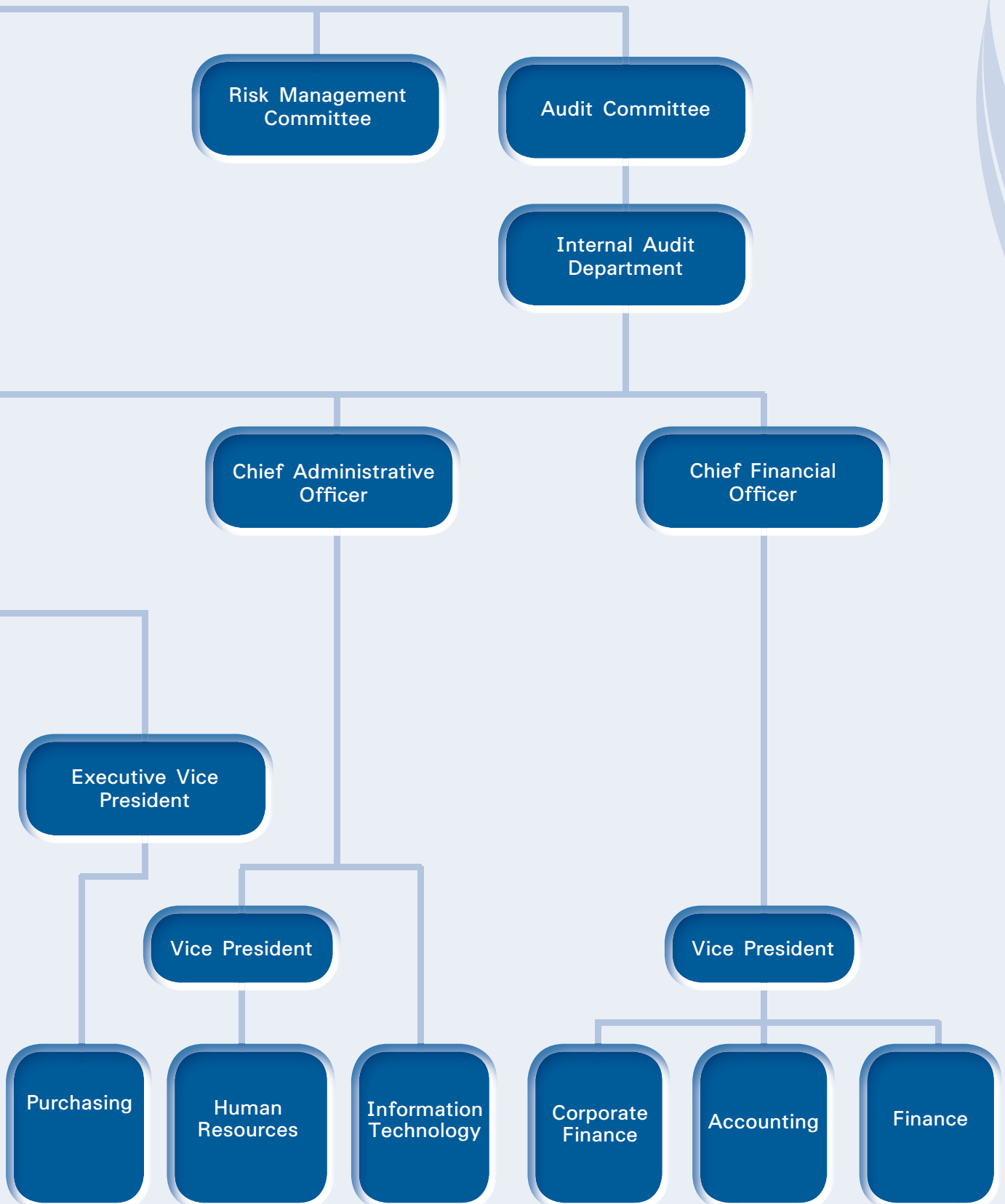
On 22 December 2011 the Board of Directors' meeting No. 15/2011 acknowledged and agree to the termination of Subscription Agreement dated 1 March 2011 with AM according to the notice the Company

received from AM on 19 December 2011. Not only it was in accordance with the terms and conditions of the investment under the Share Subscription Agreement, but also there would be no longer a tender offer for the Company's shares by AM nor a tender offer for GJS's shares by the Company and Oriental Access. All the matters regarding the termination of Subscription Agreement will be presented to the next shareholders' meeting for approval to revoke the resolution of 15 August 2011 Extraordinary General Shareholder's Meeting No. 1/2011.

## 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	70	none	<ul style="list-style-type: none"> <li>Class 3 Leadership Program, Capital Market Academy</li> <li>Class 31 National Defense Course, National Defense College, Thailand</li> <li>M. Econ., Yale University, USA</li> <li>B. Econ. (Honors), Manchester University, England</li> <li>Ph. D. (Economics) Hon. Ramkhamhaeng University</li> </ul> <b>Training</b> <ul style="list-style-type: none"> <li>Director Accreditation Program (DAP), The Role of Chairman Program (RCP) and Audit Committee Program (ACP) Thailand Institute of Directors : IOD</li> </ul>	none	<b>G Steel Public Company Limited</b> 2006-Present Chairman of the Board of Directors  <b>Others</b> 2008-Present Director and Chairman of the Audit Committee, TMB Bank Public Company Limited 2007-Present Dean, Graduate School of Business, Siam University 2008-2011 Chairman of the Securities and Exchange Commission 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	59	Husband of Khunying Patama Leeswad- trakul	<ul style="list-style-type: none"> <li>Wharton-NIDA Executive Leadership Program Certificate, The Wharton School, University of Pennsylvania, USA</li> <li>Leadership Program, Capital Market Academy</li> <li>The Program of Senior Executive in Criminal Justice Administration</li> <li>Honorary Doctorate in Administration, Kasetsart University</li> <li>MBA, Ramkhamhaeng University</li> <li>B. Econ., Ramkhamhaeng University</li> </ul> <b>Training</b> <ul style="list-style-type: none"> <li>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</li> </ul>	none	<b>G Steel Public Company Limited</b> 2010-Present Vice Chairman of the Board of Directors 1995-2009 Chairman of the Executive Committee and Chief Executive Officer <b>Others</b> 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 - Chief Executive Officer	68	none	<ul style="list-style-type: none"> <li>B. Econ., Keio University, Japan</li> </ul>	none	<b>G Steel Public Company Limited</b> 2010-Present Chief Executive Officer 2005-Present Director and Executive Director 2004-2009 President <b>Others</b> 2011-Present Chairman of the Board of Directors G J Steel Public Company Limited

Name/ Position	Age (years)	Relation ship	Education/ Training	% of shares	Experience
					2000-2004 Director, Suncall Corporation 1965-2000 Director, Itochu Corporation
4. Prof. Paichitr Roajanavanich - Director - Chairman of the Audit Committee	83	none	<ul style="list-style-type: none"> <li>Class 25 National Defense Course, National Defense College, Thailand</li> <li>MGA (Fiscal Policy), Pennsylvania University, USA</li> <li>Graduate Diploma in Accountancy (equivalent to Master's Degree), Thammasat University</li> <li>LL.B., Thammasat University</li> <li>CPA-Thailand</li> </ul> <b>Training</b> <ul style="list-style-type: none"> <li>Director Certification Program (DCP) and Audit Committee Program (ACP) Thailand Institute of Directors : IOD</li> </ul>	none	<b>G Steel Public Company Limited</b> 2004-Present Director and Chairman of the Audit Committee  <b>Others</b> 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
5. Khunying Patama Leeswadtrakul - Director - Executive Director - Chief CSR	48	Wife of Dr. Somsak Leeswad trakul	<ul style="list-style-type: none"> <li>Wharton-NIDA Executive Leadership Program Certificate, The Wharton School, University of Pennsylvania, USA</li> <li>Leadership Program, Capital Market Academy</li> <li>Honorary Doctorate in General Administration, Ramkhamhaeng University</li> </ul>	8.42%	<b>G Steel Public Company Limited</b> Present Director, Executive Director and Chief CSR  <b>Others</b> 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



Name/ Position	Age (years)	Relation ship	Education/ Training	% of shares	Experience
			<ul style="list-style-type: none"> <li>MBA., Ramkhamhaeng University</li> <li>B. Econ., Ramkhamhaeng University</li> </ul> <b>Training</b> <ul style="list-style-type: none"> <li>Director Accreditation Program (DAP), Director Certification Program (DCP), The Role of Chairman Program (RCP) and Financial Statements for Directors (FSD)</li> <li>Thailand Institute of Directors : IOD</li> </ul>		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
6. Mr. Yanyong Kurovat - Director - Executive Director - Nomination Committee Member - Chairman of the Risk Management Committee	73	none	<ul style="list-style-type: none"> <li>Class 5, National Defense Course for Joint Private and Public Sectors, National Defense College</li> <li>Graduate Diploma in Government, Chulalongkorn University</li> <li>B.A. in Political Science, Chulalongkorn University</li> </ul> <b>Training</b> <ul style="list-style-type: none"> <li>Director Accreditation Program (DAP) and Corporate Social Responsibility (CSR)</li> <li>Thailand Institute of Directors : IOD</li> </ul>	none	<b>G Steel Public Company Limited</b> 2009-Present      Chairman of the Risk Management Committee 2006-Present      Nomination Committee Member 2004-Present      Director and Executive Director <b>Others</b> 2007-Present      Vice President, The Royal Automobile Association of Thailand Under Royal Patronage of HM the King 2003-Present      Director, G.O. International (Thai) Company Limited 2003-Present      Advisor, MAN Trucks & Bus Concessionaires (Thailand) Company Limited 2000-Present      Managing Director, Academic Network Company Limited 1999-2011      Town and Country Planning Board Member Ministry of Interior

Name/ Position	Age (years)	Relation ship	Education/ Training	% of shares	Experience
					<p>2003-2007 Chairman, General Election Committee, Pathumthani province</p> <p>1996-2000 Director, Bangkok Mass Transit Authority (BMTA)</p>
<p>7. Assoc. Prof. Prapanpong Vejajiva</p> <ul style="list-style-type: none"> <li>- Director</li> <li>- Audit Committee Member</li> <li>- Chairman of the Remuneration Committee</li> </ul>	76	none	<ul style="list-style-type: none"> <li>• Class 28 National Defense Course, National Defense College</li> <li>• Certificate in Business Administration, Stanford University</li> <li>• Graduate Diploma in Welfare Administration, Stockholm University, Sweden</li> <li>• M.A. in Social Science, Stockholm University, Sweden</li> <li>• B.A. in Political Science (second class honors) in Government</li> </ul> <p><b>Training</b></p> <ul style="list-style-type: none"> <li>• Director Accreditation Program (DAP), The Role of Chairman Program (RCP), Audit Committee Program (ACP) and the Role of the Compensation Committee (RCC) Thailand Institute of Directors : IOD</li> </ul>	none	<p><b>G Steel Public Company Limited</b></p> <p>2006-Present Chairman of the Remuneration Committee</p> <p>2005-Present Audit Committee Member</p> <p>2004-Present Director</p> <p><b>Others</b></p> <p>2008-Present Chairman of the Board of Directors and Chairman of the Executive Board, Krungthep Thanakom Company Limited (affiliated company with Bangkok Metropolitan Administration)</p> <p>2007-Present Executive Director, Sasin Graduate Institute of Business Administration, Chulalongkorn University</p> <p>2007-Present Advisor to the President, Hua Chiew Chalerm Prakiat University</p> <p>2006-Present Chairman of the Asset Management Committee, Asset Management Office, Thai Red Cross Society</p> <p>2002-Present Chairman of the Board of Directors, C&amp;C International Venture Company Limited</p> <p>2002-Present Council Member St. Louis College</p> <p>1997-Present Director, Vice Chairman of the Board of Directors and Nomination and Remuneration Committee</p>

Name/ Position	Age (years)	Relation ship	Education/ Training	% of shares	Experience
					<p>Member, Grand Canal Land Public Company Limited</p> <p>1995-Present Director, Rama IX Square Company Limited</p> <p>1992-Present Council Member, Hua Chiew Chalern Prakiat University</p> <p>1987-Present Director, Dhammaniti Public Company Limited</p> <p>1986-Present Asset Management Director and Chairman of the Executive Committee, Asset Management Office, Thai Red Cross Society</p>
<p>8. Mr. Chainarong Monthienvichienchai</p> <p>- Director</p> <p>- Chairman of the Nomination Committee</p>	66	none	<ul style="list-style-type: none"> <li>M.A. (Management), Asian Institute of Management</li> <li>B.A. (Business Administration), Chulalongkorn University</li> </ul> <p><b>Training</b></p> <ul style="list-style-type: none"> <li>Director Accreditation Program (DAP) Thailand Institute of Directors: IOD</li> </ul>	0.008%	<p><b>G Steel Public Company Limited</b></p> <p>2011-Present Chairman of the Nomination Committee</p> <p>2000-Present Director</p> <p>2006-2010 Nomination Committee Member</p> <p><b>Others</b></p> <p>1994-Present Director, Saint John for Education Company Limited</p> <p>2002-Present Director, Arnoma Hotel Bangkok Company Limited</p> <p>2007-Present Chairman of the Board of Trustees, Saint John's University</p> <p>1991-2007 Vice Chairman of the Board of Trustees, Saint John's University</p>
<p>9. Pol. Lt. General Prakard Satamarn</p> <p>- Director</p> <p>- Executive Director</p> <p>- Remuneration Committee Member</p>	69	none	<ul style="list-style-type: none"> <li>Class 1, Advanced Management Program, National Defense College</li> <li>Class 37 National Defense Course, National Defense College</li> <li>International Police</li> </ul>	none	<p><b>G Steel Public Company Limited</b></p> <p>2006-Present Remuneration Committee Member</p> <p>2004-Present Director and Executive Director</p> <p><b>Others</b></p> <p>2005-Present Advisor to Directors, Queen Sirikit National Convention Center</p> <p>2004-Present Advisor, Thai Nam Thip Company Limited</p>

Name/ Position	Age (years)	Relation ship	Education/ Training	% of shares	Experience
			Program, USA • LL.B., Thammasat University <b>Training</b> • 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
10. General Choochat Kambhu Na Ayudhya - Director - Remuneration Committee Member	67	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 Göttingen, Germany • Doctor of Medicine, University of Münster, Germany <b>Training</b> • Director Accreditation Program (DAP)	none	<b>G Steel Public Company Limited</b> 2006-Present Remuneration Committee Member 2004-Present Director <b>Others</b> 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>11. Mr. Preecha Prakobkit</p> <p>- Director</p> <p>- Audit Committee Member</p>	64	none	<ul style="list-style-type: none"> <li>Executive Leadership Thunderbird, The American Graduate School of International</li> <li>Senior Executive Program, Sasin Graduate Institute of Business Administration, Chulalongkorn University</li> <li>Mini MBA, Thammasat University</li> <li>Business Administration, Rossevelt University, USA</li> </ul> <p><b>Traning</b></p> <ul style="list-style-type: none"> <li>Director Accreditation Program (DAP), Audit Committee Program (ACP) and Finance for Non-Finance Director (FND)</li> </ul> <p>Thailand Institute of Directors : IOD</p>	none	<p><b>G Steel Public Company Limited</b></p> <p>2003-Present Director and Audit Committee Member</p> <p><b>Others</b></p> <p>Present Advisory Board Member Amway (Thailand) Company Limited</p> <p>1998-2011 Managing Director Amway (Thailand) Company Limited</p>

Name/ Position	Age (years)	Relation ship	Education/ Training	% of shares	Experience
12. Asst. Prof. Komol Wong-Apai - Director - Nomination Committee Member	74	none	<ul style="list-style-type: none"> <li>M.A. (English Teaching), Certificate in Intensive Linguistics, Ball State University, USA</li> <li>Bachelor of Education (English Understudies), Srinakharinwirot University</li> </ul>	none	<b>G Steel Public Company Limited</b> 2011-Present Nomination Committee Member 2009-Present Director <b>Others</b> 1999-Present Qualified Consultant of English Department, Faculty of Humanities and Social Sciences, Bansomdej Chaopraya 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
13. Mr. Sittichai Leeswadtrakul - Director - Executive Director	32	none	<ul style="list-style-type: none"> <li>Business Course, University of California of Berkeley</li> <li>Master of Managing Engineering, Warwick University, UK</li> <li>Master of Law, Department of Economics Regulation, Chulalongkorn University</li> <li>Business Administration, Mahidol University</li> </ul> <b>Training</b> <ul style="list-style-type: none"> <li>Director Accreditation Program (DAP) Thailand Institute of Directors : IOD</li> </ul>	1.97%	<b>G Steel Public Company Limited</b> 2009-Present Director and Executive Director <b>Others</b> 2011-Present Director Ocean Profit Company Limited 2011-Present Director Million Miles Company Limited 2009-Present Director and Executive Director G J Steel Public Company Limited 2008-Present Chairman of the Executive Board Millcon Burapa 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	43	none	<ul style="list-style-type: none"> <li>• Master of Business Admin, College of Notre Dame, San Francisco, USA</li> <li>• Bachelor of Political Science (Public Finance), Chulalongkorn University</li> </ul>	0.0005%	<b>G Steel Public Company Limited</b> 2010-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	39	none	<ul style="list-style-type: none"> <li>• Master of Economics and Finance (International) Chulalongkorn University</li> <li>• BAA, National University Sand Diego, CA, USA</li> </ul>	none	<b>G Steel Public Company Limited</b> 2011-Present Chief Administrative Officer 2010-Present Vice President Accounting and Finance 2008-Present Company Secretary
3. Mr. Oscar Miguel Ojeda Luna - Senior Executive Vice President	67	none	<ul style="list-style-type: none"> <li>• Ph.D. of Metallurgy, Sheffield City Polytechnic, England</li> </ul>	none	<b>G Steel Public Company Limited</b> 2010-Present Senior Executive Vice President 2007-2009 Chief Operation Officer

## Shareholding Structure

The Company's 10 major shareholders as at 31 December 2011.

No.	Shareholders' Names	Shares	%
1.	Superior Overseas (Thailand) Company Limited <sup>1</sup>	2,522,588,903	14.81
2.	Thai NVDR Company Limited	2,059,306,990	12.10
3.	Khunying Patama Leeswadtrakul Group <sup>2</sup>	1,484,623,093	8.72
4.	Whiterock Global Fund, SPC.	892,200,414	5.24
5.	Pacific Harbor Advisors Pte. Ltd.	546,862,275	3.21
6.	The Bank of New York (Nominees) Limited	545,663,390	3.20
7.	Mr. Pramote Possawong	351,233,700	2.06
8.	Mr. Sittichai Leeswadtrakul	334,946,800	1.97
9.	HSBC Private Bank (Suisse) SA	237,517,200	1.40
10.	Mr. Niram Ngamchamnunrit	229,960,800	1.35
11.	Others	7,823,653,908	45.94
<b>Total</b>		<b>17,028,557,473</b>	<b>100.00</b>

### <sup>1</sup> Superior Overseas (Thailand) Company Limited's Shareholding Structure

(1) Khunying Patama Leeswadtrakul	29.42%
(2) Marco Wealth Investment Company Limited	25.38%
(3) Ms. Methikan Chutipongsiri	19.81%
(4) Mr. Manit Chiachuabsilp	15.39%
(5) Mrs. Patum Chiachuabsilp	10.00%

### <sup>2</sup> Khunying Patama Leeswadtrakul Group's Shareholding Structure

(1) Khunying Patama Leeswadtrakul	8.42%	(1,434,623,093 shares)
(2) Ms. Suthidararat Leeswadtrakul	0.15%	(25,000,000 shares)
(3) Ms. Suratiporn Leeswadtrakul	0.15%	(25,000,000 shares)

# Management Structure

## 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 13 members of the Board of Directors comprises 8 non-executive (7 independent directors) and 5 executive directors. The number of 13 members of the Board of Directors is supposed to be appropriate, as well as the composition of 38% 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 62%, 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 2011 until now, there have been the following changes and revision of authorized signatory directors.

❖ Two directors, Mr. Ahab G. Garas and Mr. Ariel Seth Levy, resigned on 17 June 2011.

❖ Authorized signatory directors changed from "Mr. Ariel Seth Levy, or Khunying Patama Leeswadtrakul, or Mr. Yanyong Kurovat, or Mr. Ryuzo Ogino, or Pol. Lt. General Prakard Satamarn, 2 directors jointly sign and affix the Company's seal." to be

"Khunying Patama Leeswadtrakul, or Mr. Yanyong Kurovat, or Mr. Ryuzo Ogino, or Pol. Lt. General Prakard Satamarn, 2 directors jointly sign and affix the Company's seal.

Currently, the Company's Board of Directors comprises 13 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. Prof. Paichitr	Roajanavanich	Director	(independent director)
5. Assoc. Prof. Prapanpong	Vejjajiva	Director	(independent director)
6. Mr. Preecha	Prakobkit	Director	(independent director)
7. Khunying Patama	Leeswadtrakul	Director	(executive director)



8. Mr. Yanyong	Kurovat	Director	(executive director)
9. Pol. Lt. General Prakard	Satamarn	Director	(executive director)
10. General Choochat	Kambhu Na Ayudhya	Director	(independent director)
11. Mr. Chainarong	Monthienvichienchai	Director	(independent director)
12. Asst. Prof. Komol	Wong-Apai	Director	(independent director)
13. Mr. Sittichai	Leeswadtrakul	Director	(executive director)

At present, Authorized signatory directors on the Company's behalf are "Khunying Patama Leeswadtrakul, or Mr. Yanyong Kurovat, or Mr. Ryuzo Ogino, or Pol. Lt. General Prakard Satamarn, 2 directors jointly sign and affix the Company's seal.

### **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 5 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. 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<br>(independent director) |
| 2. Mr. Yanyong       | Kurovat             | Nomination Committee Member<br>(executive director)            |
| 3. Asst. Prof. Komol | Wong-Apai           | Nomination Committee Member<br>(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<br>(independent director) |
| 2. Pol. Lt. General Prakard | Satamarn          | Remuneration Committee Member<br>(executive director)            |
| 3. General Choochat         | Kambhu Na Ayudhya | Remuneration Committee Member<br>(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, Chief Administrative Officer, 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             | Chief Executive Officer         |
| 2. Khunying Patama | Leeswadtrakul     | Chief CSR                       |
| 3. Mr. Nakun       | Sakunchotikarote  | Chief Operating Officer         |
| 4. Mr. Wuttichai   | Sresthabutra      | Chief Administrative Officer    |
| 5. Mr. Oscar       | Miguel Ojeda Luna | Senior 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

### Remuneration for the Board of Directors and the Management

In 2011 the Remuneration Committee meeting defined the remuneration deemed that the expression of sacrifice and volition of the Board of Director's that adjusted the title remuneration down, the monthly remuneration of the directors and the meeting allowance by one-half (50%) in 2009-2010. Thus, in 2011 it considered reversing the remuneration back to the original level and proposed to refund the remuneration in retroactive for 2010 throughout the year and repay the remuneration in retroactive 2011 from January to April (as approved by the Annual General Meeting of the Shareholders for the year 2011 on 27 April 2011). It set the remuneration for the Board of Directors by no more than Baht 8,000,000 plus the remuneration in retroactive for 2010 at Baht 3,213,750 totalling no more than Baht 11,213,750. The new structure of the Director's remuneration is as follows:

- **Remuneration for the Board of Directors for the year 2012**

Position	Position Remuneration (Baht/month)	Monthly Remuneration (Baht/month)	Meeting Allowance (Baht/times)
Chairman of the Board of Directors	100,000	-	15,000
Director	-	30,000	7,500
Executive Director	-	-	5,000
Chairman of the Audit Committee	20,000	40,000	10,000
Audit Committee Member	-	40,000	10,000
Remuneration Committee Member	-	-	7,500
Nomination Committee Member	-	-	7,500

*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.*

● Remuneration for the Board of Directors in retroactive for 2010 (50% of the whole 2010)

Name and Position	Remuneration for directors in Retroactive for 2010 (Baht)	Meeting Allowance in retroactive for 2010 (Baht)					Total Monetary Remuneration (Baht)
		Board of Directors	Executive Committee	Audit Committee	Nomination Committee	Remuneration 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
<b>Total</b>	<b>2,520,000</b>	<b>487,500</b>	<b>15,000</b>	<b>165,000</b>	<b>15,000</b>	<b>11,250</b>	<b>3,213,750</b>

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

\*\* Resigned on 17 June 2011

● **Remuneration for the Board of Directors in retroactive for 2011 from January to April (50% of January through April 2011)**

Name and Position	Remuneration for directors in Retroactive for 2011 (Baht)	Meeting Allowance in retroactive for 2011 (Baht)					Total Monetary Remuneration (Baht)
		Board of Directors	Executive Committee	Audit Committee	Nomination Committee	Remuneration Committee	
1. Mr. Vijit Supinit	200,000	37,500	-	-	-	-	237,500
2. Dr. Somsak Leeswadtrakul *	-	-	-	-	-	-	-
3. Mr. Ryuzo Ogino *	-	-	-	-	-	-	-
4. Mr. Ahab G. Garas **	-	-	-	-	-	-	-
5. Prof. Paichitr Rojanavanich	120,000	18,750	-	35,000	-	-	173,750
6. Mr. Ariel Seth Levy **	-	-	-	-	-	-	-
7. Khunying Patama Leeswadtrakul *	-	-	-	-	-	-	-
8. Mr. Yanyong Kurovat	60,000	18,750	-	-	3,750	-	82,500
9. Assoc. Prof. Prapanpong Vejjajiva	80,000	18,750	-	35,000	-	3,750	137,500
10. Mr. Chainarong Monthienvichienchai	60,000	11,250	-	-	3,750	-	75,000
11. Pol. Lt. General Prakard Satamarn	60,000	18,750	-	-	-	3,750	82,500
12. Gen. Choochat Kambhu Na Ayudhya	60,000	15,000	-	-	-	3,750	78,750
13. Mr. Preecha Prakobkit	80,000	15,000	-	30,000	-	-	125,000
14. Asst. Prof. Komol Wong-Apai	60,000	18,750	-	-	3,750	-	82,500
15. Mr. Sittichai Leeswadtrakul	60,000	18,750	-	-	-	-	78,750
<b>Total</b>	<b>840,000</b>	<b>191,250</b>	<b>-</b>	<b>100,000</b>	<b>11,250</b>	<b>11,250</b>	<b>1,153,750</b>

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

\*\* Resigned on 17 June 2011



## Total Remuneration for the Board of Directors and the Management in 2011

In 2011, the Company's 13 directors received the remunerations of total Baht 5.49 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 41.96 million comprising monthly salary, bonus and others.

- **Remuneration for the Board of Directors individually for 2011 (50% of January through April and 100% of May through December)**

Name and Position	Remuneration for 2011 (Baht)	Meeting Allowance for 2011 (Baht)					Total Monetary Remuneration (Baht)
		Board of Directors	Executive Committee	Audit Committee	Nomination Committee	Remuneration Committee	
1. Mr. Vijit Supinit	1,000,000	187,500	-	-	-	-	1,187,500
2. Dr. Somsak Leeswadtrakul *	-	-	-	-	-	-	-
3. Mr. Ryuzo Ogino *	-	-	-	-	-	-	-
4. Mr. Ahab G. Garas **	-	-	-	-	-	-	-
5. Prof. Paichitr Rojanavanich	600,000	93,750	-	135,000	-	-	828,750
6. Mr. Ariel Seth Levy **	-	-	-	-	-	-	-
7. Khunying Patama Leeswadtrakul *	-	-	-	-	-	-	-
8. Mr. Yanyong Kurovat	300,000	93,750	-	-	3,750	-	397,500
9. Assoc. Prof. Prapanpong Vejjajiva	400,000	86,250	-	125,000	-	3,750	615,000
10. Mr. Chainarong Monthienvichienchai	300,000	78,750	-	-	3,750	-	382,500
11. Pol. Lt. General Prakard Satamarn	300,000	71,250	-	-	-	3,750	375,000
12. Gen. Choochat Kambhu Na Ayudhya	300,000	67,500	-	-	-	3,750	371,250
13. Mr. Preecha Prakobkit	400,000	60,000	-	110,000	-	-	570,000

Name and Position	Remuneration for 2011 (Baht)	Meeting Allowance for 2011 (Baht)					Total Monetary Remuneration (Baht)
		Board of Directors	Executive Committee	Audit Committee	Nomination Committee	Remuneration Committee	
14. Asst. Prof. Komol Wong-Apai	300,000	93,750	-	-	3,750	-	397,500
15. Mr. Sittichai Leeswadtrakul	300,000	71,250	-	-	-	-	371,250
<b>Total</b>	<b>4,200,000</b>	<b>903,750</b>	<b>-</b>	<b>370,000</b>	<b>11,250</b>	<b>11,250</b>	<b><u>5,496,250</u></b>

Note Remuneration for the Board of Directors individually for 2011 fixed 50% and up to 100% since May 2011 from resolutions of the Annual General Meeting of the Shareholders for the year 2011 on 27 April 2011

\* 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

\*\* Resigned on 17 June 2011

## 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. 2011	As of 31 Dec. 2010	Increase/(Decrease)
1. Mr. Vijit Supinit	-	-	-
2. Dr. Somsak Leeswadtrakul	-	-	-
3. Mr. Ryuzo Ogino	-	-	-
4. Prof. Paichitr Rojanavanich	-	-	-
5. Khunying Patama Leeswadtrakul	1,434,623,093	1,434,623,093	-
6. Mr. Yanyong Kurovat	-	-	-
7. Assoc. Prof. Prapanpong Vejjajiva	-	-	-
8. Mr. Chainarong Monthienvichienchai	1,500,000	1,500,000	-
9. Pol. Lt. General Prakard Satamarn	-	-	-
10. Gen. Choochat Kambhu Na Ayudhya	-	-	-
11. Mr. Preecha Prakobkit	-	-	-
12. Asst. Prof. Komol Wong-Apai	-	-	-
13. Mr. Sittichai Leeswadtrakul	334,946,800	334,946,800	-

### Change in Shareholding of the Management

Name	Shareholding (shares) : Par value 1 Baht		
	As of 31 Dec. 2011	As of 31 Dec. 2010	Increase/(Decrease)
1. Mr. Nakun Sakunchotikarote	100,000	100,000	-
2. Mr. Wuttichai Sresthabutra	-	-	-
3. Mr. Oscar Miguel Ojeda Luna	-	-	-

## Good Corporate Governance

Through the year 2011, 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 2011, 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 2011 Annual General Meeting of the Shareholders on 27 April 2011, 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 2011 Annual General Meeting of the Shareholders" for publishing on the Company's website on 9 May 2011, 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, 15 members of the Board of Directors attended Annual General Meeting of the Shareholders for the year 2011.

It could be concluded that the Company still developed organizing the 2011 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 2011 Annual General Meeting of Shareholders (from 10 October 2010 to 10 January 2011). 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 2011 so as for consideration to include in the agenda. In 2011, none of shareholders proposed in advance any issue in the agenda. The criteria of proposing the agenda of the 2011 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 continually 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 2011 Annual General Meeting" with related complete and entire documents, to be submitted to the Company within 10 January 2011.

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 2011. The approved issues would be included in the agenda attached to the invitation to 2011 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 2011 Annual General Meeting of Shareholders (from 10 October 2010 to 10 January 2011). 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 2011 to consider and propose to the general meeting of shareholders. In 2011, 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 10 January 2011.

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 2011.

## **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 Rojanavanich (Chairman of the Audit Committee and independent director). Shareholders can appoint one of the two independent directors as their proxy. In this regard, 23 shareholders authorized the independent director to attend the meeting and vote on behalf of them in the 2011 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  
e-mail: [allbangkokmarketing@gsteel.com](mailto:allbangkokmarketing@gsteel.com)

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;

**Compliance**  
Mr. Poonyavee Chaiyarungsakul  
Tel. 0-2634-2222 ext. 1175  
e-mail: [info@gsteel.com](mailto:info@gsteel.com)

- 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)  
Tel. 0-2634-2222 ext. 1175-1176  
e-mail : info@gsteel.com

## 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 2011 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 2011, 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 2011, the Board of Directors has the total meetings of 15 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 2011 Annual General Meeting of the Shareholders, also the Extraordinary General Meeting of the Shareholders No. 1/2011, 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	2011 AGM	EGM No. 1/2011
1.	Mr. Vijit Supinit	15 / 15	✓	✓
2.	Dr. Somsak Leeswadtrakul	13 / 15	✓	✓
3.	Mr. Ryuzo Ogino	12 / 15	✓	✓
4.	Prof. Paichitr Rojanavanich	15 / 15	✓	✓
5.	Khunying Patama Leeswadtrakul	10 / 15	✓	✓
6.	Mr. Yanyong Kurovat	15 / 15	✓	✓
7.	Assoc. Prof. Prapanpong Vejjajiva	14 / 15	✓	✓
8.	Mr. Chainarong Monthienvichienchai	12 / 15	✓	✓
9.	Pol. Lt. General Prakard Satamarn	12 / 15	✓	-
10.	Gen. Choochat Kambhu Na Ayudhya	11 / 15	✓	✓
11.	Mr. Preecha Prakobkit	10 / 15	✓	✓
12.	Asst. Prof. Komol Wong-Apai	15 / 15	✓	✓
13.	Mr. Sittichai Leeswadtrakul	12 / 15	✓	✓

### 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 2011 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.

### Audit Committee

In 2011, 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 2011, the Audit Committee convened 16 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	16 / 16
2.	Assoc. Prof. Prapanpong Vejajiva	16 / 16
3.	Mr. Preecha Prakobkit	14 / 16

#### Nomination Committee

For the 5 directors retiring at the end of their terms in the year 2011, 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; Mr. Vijit Supinit, Dr. Somsak Leeswadtrakul, Khunying Patama Leeswadtrakul, Mr. Ryuzo Ogino and Mr. Chainarong Monthienvichienchai, and approved by the 2011 Annual General Meeting of the Shareholders.

In 2011, the Nomination Committee met 1 time 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 2011 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 2011 Annual General Meeting of the Shareholders for approval.

In 2011, the Remuneration Committee met 1 time and all committee members attended such meeting in unison.

#### Risk Management Committee

In 2011, 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 2011, the Risk Management Committee met 1 time and all committee members attended such meeting in unison.

### **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 13 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 5 executive directors forming as 13 members of the Board of Directors. The balance of power by independent directors is 54% which is over half the 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 2011, in late 2010 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 2011, the committee reviewed the directors' remuneration deemed that the expression of sacrifice and volition of the board that adjusted the title compensation, the monthly remuneration of the directors and the meeting allowance, down by one-half (50%) in 2009-2010. Thus, in 2011 it considered reversing the remuneration back to the original level and proposed to refund the remuneration in retroactive for 2010 throughout the year and repay the remuneration in retroactive 2011 from January to April (as approved by the Annual General Meeting of the Shareholders for the year 2011 on 27 April 2011). It set the remuneration for the Board of Directors by no more than Baht 8,000,000 plus the remuneration in retroactive for 2010 at Baht 3,213,750 totalling no more than Baht 11,213,750.

### **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 13 directors have been trained on Director Accreditation Program

(DAP) and/or Director Certification Program (DCP) from Thailand Institute of Directors (IOD). For the rest 2 directors, 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.

## Risk 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 affiliates received the severe impact from the world's economic crisis, so we encountered the liquidity problem severely, so the Company entered into the contract to sell common shares to ArcelorMittal Netherlands B.V. ("AM") on 2 March 2011, whereby AM invested with the Company Baht 7,059 million and gave a credit facility of US\$ 500 million to the Company and GJ Steel.

Not only the said funds had the higher interest rate than usual making the Company and its affiliates defaulted, but also on 19 December 2011 the Company received a notice dated 15 December 2011 from AM to termination the sales contract on the equity investment in the Company.

However, the Company is under the process of solving the liquidity problem by increasing its working capital for operations, including restructuring the management and the capital at the suitable level. In this regard, the Company appointed a financial advisor on 28 October 2011 whereby the Company and its financial advisor were in the process of negotiating with the potential investors interested in the equity investment, including negotiations to restructure the debts with the creditors.

As mentioned above the Company is confident that in the near future the Company can solve the problem on the lack of liquidity of the working capital and can create the cash flow sufficiently for its operations and/or acquire credit facility from various sources so as for its continuous operation. Finally, it can create confidence towards the justification of the assumptions used to analyze the depreciation of the accounting value of the machines, buildings and equipment of the Company.

## **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. 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 16 meetings in 2011, 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.

### 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 2011, dated 9 February 2012 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 Board of Directors Meeting No. 1/2012 on 28 February 2012 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 transactions, purchase and general management with carefulness so that frauds can be prevented. The purchase operation manual conforms to the ISO 9001:2000. At the end of 2009 the Company reviewed with approval from the Risk Management Committee and the Board of Directors. The review separated the policy on procurement into three parts: 1) Policy and procedure on procurement of spare parts and non-operation supplies as well as service. 2) Policy and procedure on procurement of raw materials and consumables and 3) Policy and procedure on procurement for the expansion project. As for the finance 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 continuously improved for use as anti-fraud tool.

- Moreover, in the middle of 2010, the Company appointed an internal control consultant to improve and strengthen its internal control structure.

- 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 1 Risk Management Committee meetings in 2011, 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 2011, the Company clearly reviewed the regulation on approval authorization in financial and operational matters in 2011 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.

- In 2011 the Company committed the offence against the Factory Act in the case of taking the garbage or disused materials out of the factory and paid the fine of 300,000 Baht already. Moreover, it committed an offence against the Dangerous Material Act B.E. 2535 on possession without permission.

However, although the Company had measures on taking industrial waste of all kinds out of the factor without permission, the Board of Directors have reiterated the management in charge to monitor the safety unit including those responsible for occupational safety and environment to comply with the rules and the law strictly.

## 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.

## Connected Transactions

### 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 2011 (Million Baht)	Outstanding as of end of 2011 (Million Baht)	Terms and conditions
Sukhumvit Inter Development Co., Ltd. ("SID") <u>Type of business</u> - Developer of office building, industrial estate and others	A juristic person whose shares are held by the Company's directors and shareholders totaling 1.26%	<ul style="list-style-type: none"> <li>▪ Deposit in related parties</li> <li>▪ Trade account payable</li> <li>▪ Accrued expenses</li> </ul>	- 11 -	3 2 1	<ul style="list-style-type: none"> <li>▪ Cost of raw water according to the sale agreement of raw water at a lower price than that from direct water producer.</li> </ul>
Arnoma Hotel Bangkok Co., Ltd. ("Arnoma") <u>Type of business</u> - Hotel	A juristic person sharing same directors with the Company and shares are directly and indirectly held by the Company's directors totaling 69.4%	<ul style="list-style-type: none"> <li>▪ Creditor other</li> </ul>	1	-	<ul style="list-style-type: none"> <li>▪ 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.</li> </ul>
Oriental Access Co., Ltd. ("OA") <u>Type of business</u> - Business advisor	A juristic person whose shares are indirectly held by the Company totaling 99.98% via Siam Professional Holding Co., Ltd. and sharing the same directors with the Company	<ul style="list-style-type: none"> <li>▪ Receivables from consulting service</li> <li>▪ Allowance for bad and doubtful debts</li> <li>▪ Bad and doubtful debts expense</li> <li>▪ Loans to and receivables from collateral</li> </ul>	- - 35 -	1,104 (1,104) - 433	<ul style="list-style-type: none"> <li>▪ Service for the Company providing consulting service to OA in relation to production process management and other business advice.</li> <li>▪ New shareholder pledged its shares as collateral for obligation of OA</li> </ul>



Persons with possible conflict of interest	Type of relationship	Transaction	Transaction value in 2011 (Million Baht)	Outstanding as of end of 2011 (Million Baht)	Terms and conditions
		<ul style="list-style-type: none"> <li>Allowance for doubtful debts</li> <li>Bad and doubtful debts</li> <li>Loan to related parties</li> <li>Allowance for doubtful debts</li> <li>Accrued interest income from related parties</li> <li>Allowance for doubtful debts</li> </ul>	- 433 - - - -	(433) - 2,152 (2,152) 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 43.90%	<ul style="list-style-type: none"> <li>Sales of raw materials</li> <li>Accrued interest income</li> <li>Receivable from off-setting</li> <li>Trade account payable</li> </ul>	15 75 - 224	156 53 946 16	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>Sales of Hot Rolled Coil Steel at a market</li> </ul>

Persons with possible conflict of interest	Type of relationship	Transaction	Transaction value in 2011 (Million Baht)	Outstanding as of end of 2011 (Million Baht)	Terms and conditions
					<p>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> <ul style="list-style-type: none"> <li>▪ 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.</li> </ul>
<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 1.97%</p>	<ul style="list-style-type: none"> <li>▪ Advance received for products</li> </ul>	62	30	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ 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.</li> </ul>

Persons with possible conflict of interest	Type of relationship	Transaction	Transaction value in 2011 (Million Baht)	Outstanding as of end of 2011 (Million Baht)	Terms and conditions
Millcon Burapa 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	▪ n/a	n/a	n/a	▪ Sale and/or purchase of raw material and consumables
Great Siam Steel Works Co., Ltd. <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%	▪ (Reversal) Bad debts and doubtful debts	(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% and sharing same directors with the Company	▪ 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% and sharing same directors with the Company	▪ 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 2011 (Million Baht)	Outstanding as of end of 2011 (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"> <li>Trade account receivable</li> <li>Allowance for doubtful debts</li> <li>(Reversal) Bad and doubtful debts</li> <li>Sales of raw materials</li> <li>Allowance for doubtful debts</li> <li>Sales of scraps</li> <li>Allowance for doubtful debts</li> <li>(Reversal) Bad and doubtful debts</li> <li>Trade account payable</li> </ul>	105  -  (1)  -  -  -  -  (13)  1,784	54  (54)  -  1  (1)  339  (339)  -  66	<ul style="list-style-type: none"> <li>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.</li> <li>Sales of scraps the price was based on a cost plus a profit margin under normal business condition as offered to other customers.</li> <li>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.</li> </ul>
SSP Place Co., Ltd. ("SSP")	A related company sharing common directors with subsidiaries	<ul style="list-style-type: none"> <li>Deposit in related parties</li> <li>Other creditors</li> </ul>	-  7	1  2	<ul style="list-style-type: none"> <li>Office rental and service for head office.</li> </ul>

Persons with possible conflict of interest	Type of relationship	Transaction	Transaction value in 2011 (Million Baht)	Outstanding as of end of 2011 (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	-	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	<ul style="list-style-type: none"> <li>▪ Advance payment for fixed assets</li> <li>▪ Allowance for asset impairment</li> <li>▪ Other creditors</li> </ul>	<ul style="list-style-type: none"> <li>-</li> <li>-</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>8</li> <li>(8)</li> <li>1</li> </ul>	▪ Factory construction service.
Turnaround Steel Management LLC ("TSM")	A company sharing directors with the Company until 17 June 2011	▪ Other creditors	11	-	▪ Financial advisory & management services.
Global Principal Partners LLC ("GPP")	A company sharing directors with the Company until 17 June 2011	▪ n/a	n/a	n/a	▪ Financial advisory services.

## 2. Connected Transaction between the Company and business alliances

Business alliances	Type of relationship	Transaction	Transaction value in 2011 (Million Baht)	Outstanding as of end of 2011 (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"> <li>- Steel wholesaler and retailer</li> <li>- Supplier of other industrial products</li> </ul>	<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"> <li>▪ Other debtors</li> <li>▪ Allowance for doubtful debts</li> <li>▪ Trade account payable</li> </ul>	<p>-</p> <p>-</p> <p>416</p>	<p>33</p> <p>(33)</p> <p>10</p>	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ 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.</li> </ul>
<p>Federal Steel Industry Co., Ltd. ("Federal")</p> <p><u>Type of business</u></p> <ul style="list-style-type: none"> <li>- Steel wholesaler and retailer of steel, scraps and pig iron</li> </ul>	<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"> <li>▪ Trade account receivable</li> <li>▪ Allowance for doubtful debts</li> <li>▪ (Reversal) Bad and doubtful debts</li> </ul>	<p>60</p> <p>-</p> <p>(1)</p>	<p>333</p> <p>(333)</p> <p>-</p>	<ul style="list-style-type: none"> <li>▪ Sales of Hot Rolled Coil at a market price with the same business conditions as offered to other customers.</li> <li>▪ 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.</li> </ul>

Business alliances	Type of relationship	Transaction	Transaction value in 2011 (Million Baht)	Outstanding as of end of 2011 (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"> <li>Other debtors</li> <li>Advance for service fee</li> <li>Accrued expenses</li> <li>Other creditors</li> </ul>	- - - 195	1 13 13 13	<ul style="list-style-type: none"> <li>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.</li> </ul>
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"> <li>Other creditors</li> </ul>	7	10	<ul style="list-style-type: none"> <li>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.</li> </ul>
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"> <li>Trade account receivable</li> <li>Allowance for doubtful debts</li> </ul>	- -	29 (29)	<ul style="list-style-type: none"> <li>Sales of Hot Rolled Coil at a market price with the same business conditions as offered to other customers.</li> </ul>

### 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 2011, the Company has regularly updated important issues and continuously adapted. As a result, the Company received 2 renown awards from the government sector, e.g. CSR-DIW Continuous Awards for its continuous operation of Corporate Social Responsibility, and CSR-DIW Networks Awards from the Department of Industrial Works, Ministry of Industry with joint evaluation of MASCI (Management System Certification Institute), the ISO certification body, for its cooperation with CSR-DIW Networks in planning on community development by using its potential in line with sustainable direction.

For 2011, 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 21 December 2011 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 8 April 2011, 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.

## 1.3 Education promotion

- **Offering internship opportunities to students**

With the Company's internship opportunities offering to students, in 2011, a large number of students from various educational institutions were allowed, within their fields of study, to observe the factory's operation process.

- Faculty of Electrical Engineering and Faculty of Mechanical Engineering, Khon Kaen University
- Faculty of Industrial Mechanical Technology, Pibulsongkram Rajabhat University
- Business Computer Program, Rayong Commercial College
- Metal Technic Program, Rayong Technical College
- Faculty of Business Computer, Phranakorn Rajabhat University

## 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

- **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 9-10 June 2011 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 4<sup>th</sup> consecutive year on 27 April 2011 and 8 December 2011. Its both executives and employees jointly planted 120 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 16 June 2011, the Company’s more than 150 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 2011, on 24 February and 10 September 2011 with over 200 staff members donating their blood.

- **Activity sharing spirit with the society**

The Company, jointly with Nonglalog Administration Organization, held a National Children’s Day activity on 7-8 January 2011 giving away ice cream, sweets and gifts, rewards for playing game and for the children’s participation in the activity on stage. Those receiving the support were Wat Nonglalog School, Wat Maptong School, and Baan Teen Noen School.

Also, to help HIV/AIDS infected children, the Company supported a fund to Camillian Social Center Rayong on 1 December 2011.

Including on 30 November 2011, the Company supported gifts for fund raising activities of Rayong Red Cross Society so as for public benefit.

Moreover, the Company supported various sports competitions. On 12 April 2011, it offered a fund for 7-person football match of Nonglalog Administration Organization, Rayong province, as well as on 19 April 2011, it offered sportswear for traditional football and volleyball games of Baan Teen Noen School.

## 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.

# Notes and Analysis of Financial and Operational Performance Result

## Notes and Analysis of Financial and the Operational Performance Result

Since the production capacity was increased in 2011, the Company and its subsidiaries had total revenue in 2011 increased from 2010. The whole-year 2011 operating result saw net loss mainly from cost of sales, devaluation of inventories, and outstanding purchase orders for raw materials that have not been delivered.

### ● Revenue from sales and other income

The Company and its subsidiaries had the revenue in 2011 amounting to Baht 31,830 million, increasing from 2010 by Baht 2,124 million, or 7%. Revenue from sales of goods was Baht, 30,525 million, or 96% of the total revenue, an increase of 33% from 2010. The increase was mainly from the increase of sales from 2010 while the average price of raw materials was however significantly higher than in 2010. The remaining 4% or Baht 1,305 million was from the reversal of bad and doubtful debts, the reversal of loss on impairment of assets, the reversal of loss on agreement termination, gain from debt restructuring, and other income.

For the Company, the total revenue in 2011 was Baht 12,980 million, or decreasing 4% from 2010. The revenue from sales of goods was Baht 12,258 million, or 94% of the total revenue, an increase of 56% from 2010.

### ● Selling and administrative expenses

The Company and its subsidiaries had selling and administrative expenses in 2011 at Baht 1,602 million, decreasing 9% from 2010. It accounted for 5% of the Company's total income. The decreased expenses were due to the reduction of consulting fee, idle cost, depreciation, and disposal of assets.

### ● Net profit/loss

In 2011 the Company and its subsidiaries had net loss of Baht 3,250 million, reduced from 2010 by Baht 8,917 million, or 73%. Net loss per share was Baht 0.15. The loss was mainly from the cost of sales, devaluation of inventories, and outstanding purchase orders for raw materials that have not been delivered.

For the Company, the net loss was Baht 2,508 million, compared with that of 2010 which was Baht 8,462 million. The loss reduced by Baht 5,954 million, or 70% was mainly from the impairment of assets, other expenses, and financial costs.

### ● Assets and liquidity

At the end of 2011 the Company and its subsidiaries had total assets worth Baht 44,123 million, declining Baht 1,323 million, or decreasing 3% from 2010. The composition was current assets at Baht 5,678 million and non-current assets at Baht 38,445 million. The Company and its subsidiaries had the liquidity ratio of 0.20 times, while the Company's liquidity ratio was 0.25 times.

### ● Liabilities

At the end of 2011 the Company and its subsidiaries had total liabilities worth Baht 29,416 million, increasing Baht 1,681 million, or 6% from 2010. The composition was current liabilities at Baht 28,876 million and non-current liabilities at Baht 540 million.

# 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.

In the financial year ended 31 December 2011, the year that the steel price fluctuated and the financial crisis around the world since 2010 continued. Also the Audit Committee received the remark from the auditor without any opinion expressed on the financial statements. The remark was about the capability of G Steel group to operate continuously, since the Company received the notice of termination of the Share Subscription Agreement from ArcelorMittal Netherlands B.V. ("AM") dated 15 December 2011.

Regarding the remark of the auditor above, the Audit Committee with the aim in priority to protect the benefit of the shareholders tried with best effort to help by cooperating with the auditor to be satisfied with the financial statements. With the Board of Directors, the Company is trying to address the liquidity problem, sourcing for additional working capital, as well as restructuring the management and capital of the Company to be at appropriate level and with quick effectiveness. The Company's Board of Directors appointed a financial advisor on 28 October 2011 to source for suitable investors. The negotiation is on process with potential suitable investors, as well as the debt restructure negotiations with the Company's creditors.

Audit Committee



(Prof. Paichitr Roajnavanich)

Chairman of the Audit Committee



(Assoc. Prof. Prapanpong Vejajiva)

Audit Committee Member



(Preecha Prakobkit)

Audit Committee Member

## Report on 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 9 February 2012, and the Board of Directors' meeting No. 1/2012 on 28 February 2012 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 2011 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)  
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 statements of financial position as at 31 December 2011 and the related statements of comprehensive 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 issue a report on these financial statements based on my audits. The consolidated and separate financial statements for the year ended 31 December 2010 of the Group and of the Company, respectively, were audited by another auditor who expressed an unqualified opinion on those financial statements in her report dated 4 March 2011. Her report included an emphasis paragraph on matters relating to the Group and the Company’s ability to continue as going concerns founded on the assumption that AM’s investment in the Group and the Company would be successfully completed.

I conducted my audit 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.

As disclosed in Note 1.3 to the accompanying financial statements, on 19 December 2011, the Company received a notice of termination from ArcelorMittal Netherlands B.V. (“AM”) of the Share Subscription Agreement, dated 15 December 2011. The circumstances described in Note 1.3 raise substantial uncertainties over the Group and the Company’s ability to continue as going concerns and to realize the carrying amounts of their assets. The financial statements do not include any adjustments that would be required (including any which may be required in relation to the valuation of the Group and the Company’s assets) should the Group and the Company be unable to generate sufficient cash flows and/or raise additional financing from other sources in order to enable it to continue as going concerns.

As disclosed in Note 15 to the accompanying financial statements, the Company and a subsidiary, G J Steel Public Company Limited (“G J Steel”)’s property, plant and equipment were evaluated as at 31 December 2011. The evaluation was based on assumptions and estimates for potential impairment by the Company and G J Steel and the results of this analysis did not indicate any additional impairment in the carrying value of these assets as at 31 December 2011. In view of the significant uncertainties over the Company and G J Steel operations, there are inherent uncertainties on the validity of the assumptions underlying the impairment analysis. I was, accordingly, unable to satisfy myself as to whether and to what extent the carrying value of the Company and G J Steel’s property, plant and equipment have been impaired.

Because of the pervasive effect on the consolidated and separate financial statements of the matters described in the third and fourth paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I am unable to express an opinion on the consolidated and separate financial statements for the year ended 31 December 2011 of the Group and the Company, respectively.

Without changing the conclusion in respect of the above financial statements, as explained in Notes 2 and 3 to the accompanying financial statements, with effect from 1 January 2011 the Group and Company has adopted certain new and revised financial reporting standards.



(Nirand Lilamethwat)  
Certified Public Accountant  
Registration No. 2316

KPMG Phoomchai Audit Ltd.  
Bangkok  
28 February 2012

# Statements of financial position

G Steel Public Company Limited and its Subsidiaries

As at 31 December 2011 and 2010

		Consolidated		Separate	
		financial statements		financial statements	
Assets	Note	2011	2010	2011	2010
		(in Baht)			
<i>Current assets</i>					
Cash and cash equivalents	7, 42	91,315,638	75,183,363	58,392,456	18,178,077
Current investments	42	7,284,501	5,242,964	-	-
Trade accounts receivable	5, 6, 8	469,504,950	644,433,104	251,864,968	226,347,305
Amounts receivable from related parties	5	-	-	156,419,406	111,282,981
Receivable from related party for offsetting transaction	5	-	-	946,187,395	-
Inventories	9	4,575,809,937	3,610,140,104	2,555,199,365	2,572,416,492
Receivables from scrap sales	5, 6, 10	-	-	-	-
Other current assets	5, 11	533,984,010	716,957,543	310,121,179	269,662,942
<b>Total current assets</b>		<b>5,677,899,036</b>	<b>5,051,957,078</b>	<b>4,278,184,769</b>	<b>3,197,887,797</b>
<i>Non-current assets</i>					
Restricted deposits at financial institutions	12, 42	200,714,883	204,208,585	24,000,000	27,493,574
Investments in subsidiaries	13	-	-	2,773,824,246	3,066,378,647
Receivable from related party for offsetting transaction	5	-	-	-	957,881,336
Long-term loans to and receivables from others		70,506,489	70,506,489	-	-
Advance payment for purchases of property, plant and equipment	5, 14	210,000,000	152,000,000	-	-
Property, plant and equipment	15	37,584,644,178	39,405,924,078	17,443,998,680	18,335,621,074
Intangible assets	16	51,645,643	57,473,697	14,958,740	16,599,467
Other non-current assets	5, 17	327,657,916	503,667,962	129,684,914	247,499,853
<b>Total non-current assets</b>		<b>38,445,169,109</b>	<b>40,393,780,811</b>	<b>20,386,466,580</b>	<b>22,651,473,951</b>
<b>Total assets</b>		<b>44,123,068,145</b>	<b>45,445,737,889</b>	<b>24,664,651,349</b>	<b>25,849,361,748</b>

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

## Statements of financial position

G Steel Public Company Limited and its Subsidiaries

As at 31 December 2011 and 2010

Liabilities and equity	Note	Consolidated		Separate	
		financial statements		financial statements	
		2011	2010	2011	2010
		(in Baht)			
Current liabilities					
Short-term loans from financial institutions	18	195,436,654	201,259,479	195,436,654	201,259,479
Trade accounts payable	5, 6, 19	14,526,940,029	10,833,539,918	10,077,237,872	7,815,797,034
Current portion of liabilities which were included under rehabilitation plan	25	394,308,954	381,396,930	18,137,017	14,260,686
Current portion of long-term loan from financial institution	18	1,447,138,054	1,377,326,790	-	-
Bonds	18	1,094,482,584	372,026,932	1,094,482,584	372,026,932
Short-term loan from other parties	18	155,993,306	656,635,591	15,000,000	517,971,044
Loan from shareholder	18	432,622,676	405,027,456	432,622,676	-
Advances received from customers	5, 21	987,006,680	3,590,787,422	465,760,802	2,182,592,744
Other payables and accrued expenses	5, 20	2,752,552,149	1,819,745,973	1,406,875,811	680,659,554
Accrued interest expenses	22	3,132,094,383	2,433,579,430	1,601,832,700	1,639,160,707
Provisions	23	2,228,954,010	2,897,603,653	1,222,048,130	1,302,278,245
Other current liabilities	5, 24	1,528,366,760	1,566,110,853	835,751,694	843,238,380
Total current liabilities		28,875,896,239	26,535,040,427	17,365,185,940	15,569,244,805
Non-current liabilities					
Liabilities which were included under rehabilitation plan - net of current portion	25	515,665,178	529,526,160	515,665,178	529,526,161
Finance lease liabilities	18	532,057	1,280,781	532,057	1,280,781
Bonds	18	-	669,656,810	-	669,656,810
Employee benefit obligations	3, 26	24,036,609	-	14,792,175	-
Total non-current liabilities		540,233,844	1,200,463,751	530,989,410	1,200,463,752
Total liabilities		29,416,130,083	27,735,504,178	17,896,175,350	16,769,708,557

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

# Statements of financial position

G Steel Public Company Limited and its Subsidiaries

As at 31 December 2011 and 2010

Liabilities and equity	Note	Consolidated		Separate	
		financial statements		financial statements	
		2011	2010	2011	2010
		(in Baht)			
<b>Equity</b>					
Share capital	27				
Authorised share capital		29,798,589,773	18,960,000,000	29,798,589,773	18,960,000,000
Issued and paid-up share capital		17,028,557,473	16,481,695,198	17,028,557,473	16,481,695,198
Additional paid in capital:					
Share premium	27	795,133,358	1,145,125,214	795,133,358	1,145,125,214
Premium on capital reduction		206,307,094	206,307,094	206,307,094	206,307,094
Retained earnings (deficits)					
Appropriated:					
Legal reserve	28	763,976,886	763,976,886	763,976,886	763,976,886
Unappropriated		(11,285,484,040)	(8,759,940,632)	(12,025,498,812)	(9,517,451,201)
<b>Equity attributable to owners of the Company</b>		<b>7,508,490,771</b>	<b>9,837,163,760</b>	<b>6,768,475,999</b>	<b>9,079,653,191</b>
Non-controlling interests		7,198,447,291	7,873,069,951	-	-
<b>Total equity</b>		<b>14,706,938,062</b>	<b>17,710,233,711</b>	<b>6,768,475,999</b>	<b>9,079,653,191</b>
<b>Total liabilities and equity</b>		<b>44,123,068,145</b>	<b>45,445,737,889</b>	<b>24,664,651,349</b>	<b>25,849,361,748</b>

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

# Statements of comprehensive income

G Steel Public Company Limited and its Subsidiaries

For the years ended 31 December 2011 and 2010

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2011	2010	2011	2010
		(in Baht)			
<b>Income</b>					
Revenue from sale of goods	5, 6, 30	30,525,122,417	22,904,289,734	12,258,015,780	7,856,484,328
Reversal of bad and doubtful debts expense	34	565,667,265	133,732,485	64,003,613	-
Reversal of loss on devaluation of inventories	9	-	902,667,249	-	913,693,213
Reversal of provision for loss on purchase orders for undelivered raw material	23	-	349,964,810	63,043,415	221,946,374
Reversal of loss on impairment of assets	35	46,456,275	-	-	-
Reversal of provision for loss on contract termination	23	61,599,386	-	61,599,386	-
Net foreign exchange gain		-	2,057,434,608	-	1,237,462,302
Gain from debt restructuring	18	349,991,856	3,187,595,196	349,991,856	3,187,595,196
Other income	5, 6	280,876,105	170,411,875	182,959,724	122,179,494
<b>Total income</b>		<b>31,829,713,304</b>	<b>29,706,095,957</b>	<b>12,979,613,774</b>	<b>13,539,360,907</b>
<b>Expenses</b>					
Cost of sale of goods	5, 6, 9	31,118,637,648	23,295,293,320	13,424,666,299	8,480,825,438
Selling expenses	6, 31	279,947,754	279,517,611	135,451,819	96,072,035
Administrative expenses	5, 6, 32	1,322,033,382	1,483,044,722	624,097,046	867,304,604
Loss on confirmed purchase orders for undelivered raw materials	23	83,116,097	-	-	-
Losses related to performance guarantee		-	58,199,496	-	-
Bad and doubtful debts expense	34	-	-	-	62,121,017
Loss on devaluation of inventories		251,661,780	-	244,321,028	-
Loss on impairment of assets	35	-	11,267,088,073	246,098,126	8,983,356,797
Net foreign exchange loss		771,985,083	-	389,617,615	-
Other expenses	36	299,921,240	3,238,690,601	209,569,292	2,053,623,598
Finance costs	38	952,782,671	2,251,663,129	213,840,160	1,457,655,553
<b>Total expenses</b>		<b>35,080,085,655</b>	<b>41,873,496,952</b>	<b>15,487,661,385</b>	<b>22,000,959,042</b>
<b>Loss for the year</b>		<b>(3,250,372,351)</b>	<b>(12,167,400,995)</b>	<b>(2,508,047,611)</b>	<b>(8,461,598,135)</b>
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>(3,250,372,351)</b>	<b>(12,167,400,995)</b>	<b>(2,508,047,611)</b>	<b>(8,461,598,135)</b>
Loss attributable to :					
Owners of the Company		(2,525,543,408)	(10,113,793,544)	(2,508,047,611)	(8,461,598,135)
Non-controlling interests		(724,828,943)	(2,053,607,451)	-	-
<b>Loss for the year</b>		<b>(3,250,372,351)</b>	<b>(12,167,400,995)</b>	<b>(2,508,047,611)</b>	<b>(8,461,598,135)</b>
<b>Loss per share</b>					
Basic loss per share	41	<b>(0.15)</b>	<b>(0.73)</b>	<b>(0.15)</b>	<b>(0.61)</b>

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 2011 and 2010

Balance as at 1 January 2010										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
Transactions with owners, recorded directly in equity																	
Contributions by and distributions to owners of the Company																	
	27	Conversion of debts to share capital		2,521,260,000	(731,165,400)	-	-	-	-	-	1,790,094,600	-	-	-	1,790,094,600		
	27	Issue of ordinary shares to pay for consulting fee		200,000,000	(100,186,916)	-	-	-	-	-	99,813,084	-	-	-	99,813,084		
Total contributions by and distributions to owners of the Company										2,721,260,000	(831,352,316)	-	-	-	1,889,907,684	-	1,889,907,684
Changes in ownership interests in subsidiaries																	
		Sale of shares in subsidiary to non-controlling interests		-	-	-	-	-	-	-	-	-	943,865,332	-	943,865,332		
		Issue of ordinary shares of subsidiary to non-controlling interests		-	-	-	-	-	-	-	-	-	284,580	-	284,580		
		Issue of warrants of subsidiary to non-controlling interests		-	-	-	-	-	-	-	-	-	60,504,563	-	60,504,563		
Total changes in ownership interests in subsidiaries										-	-	-	-	-	-	1,004,654,475	1,004,654,475
Total transactions with owners, recorded directly in equity										2,721,260,000	(831,352,316)	-	-	-	1,889,907,684	1,004,654,475	2,894,562,159
Comprehensive income for the year																	
		Profit or loss		-	-	-	-	-	(10,113,793,544)	(10,113,793,544)	-	-	(2,053,607,451)	-	(12,167,400,995)		
		Other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-		
Total comprehensive income 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
Balance as at 1 January 2011										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
Transactions with owners, recorded directly in equity																	
Contributions by and distributions to owners of the Company																	
	27	Conversion of debts to share capital		546,862,275	(349,991,856)	-	-	-	-	-	196,870,419	-	-	-	196,870,419		
Total contributions by and distributions to owners of the Company										546,862,275	(349,991,856)	-	-	-	196,870,419	-	196,870,419
Changes in ownership interests in subsidiaries																	
		Issue of ordinary shares of subsidiary to non-controlling interests		-	-	-	-	-	-	-	-	-	50,206,283	-	50,206,283		
Total changes in ownership interests in subsidiaries										-	-	-	-	-	-	50,206,283	50,206,283
Total transactions with owners, recorded directly in equity										546,862,275	(349,991,856)	-	-	-	196,870,419	50,206,283	247,076,702
Comprehensive income for the year																	
		Profit or loss		-	-	-	-	-	(2,525,543,408)	(2,525,543,408)	-	-	(724,828,943)	-	(3,250,372,351)		
		Other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-		
Total comprehensive income for the year										-	-	-	-	(2,525,543,408)	(2,525,543,408)	(724,828,943)	(3,250,372,351)
Balance as at 31 December 2011										17,028,557,473	795,133,358	206,307,094	763,976,886	(11,285,484,040)	7,508,490,771	7,198,447,291	14,706,938,062

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 2011 and 2010

			Separate financial statements				Total equity
			Surplus on ordinary shares		Retained earnings (deficits)		
	Note	Issued and paid-up share capital	Share premium (Discount)	Premium on capital reduction	Legal reserve (in Baht)	Unappropriated	
Balance at 1 January 2010		13,760,435,198	1,976,477,530	206,307,094	763,976,886	(1,055,853,066)	15,651,343,642
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners of the Company							
Conversion of debts to share capital	27	2,521,260,000	(731,165,400)	-	-	-	1,790,094,600
Issue of ordinary shares to pay for consulting fee	27	200,000,000	(100,186,916)	-	-	-	99,813,084
Total contributions by and distributions to owners of the Company		2,721,260,000	(831,352,316)	-	-	-	1,889,907,684
Total transactions with owners, recorded directly in equity		2,721,260,000	(831,352,316)	-	-	-	1,889,907,684
Comprehensive income for the year							
Profit or loss		-	-	-	-	(8,461,598,135)	(8,461,598,135)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	(8,461,598,135)	(8,461,598,135)
Balance at 31 December 2010		16,481,695,198	1,145,125,214	206,307,094	763,976,886	(9,517,451,201)	9,079,653,191
Balance at 1 January 2011		16,481,695,198	1,145,125,214	206,307,094	763,976,886	(9,517,451,201)	9,079,653,191
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners of the Company							
Conversion of debts to share capital	27	546,862,275	(349,991,856)	-	-	-	196,870,419
Total contributions by and distributions to owners of the Company		546,862,275	(349,991,856)	-	-	-	196,870,419
Total transactions with owners, recorded directly in equity		546,862,275	(349,991,856)	-	-	-	196,870,419
Comprehensive income for the year							
Profit or loss		-	-	-	-	(2,508,047,611)	(2,508,047,611)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	(2,508,047,611)	(2,508,047,611)
Balance at 31 December 2011		17,028,557,473	795,133,358	206,307,094	763,976,886	(12,025,498,812)	6,768,475,999

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 2011 and 2010

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2011	2010	2011	2010
		(in Baht)			
<i>Cash flows from operating activities</i>					
Loss for the year		(3,250,372,351)	(12,167,400,995)	(2,508,047,611)	(8,461,598,135)
<i>Adjustments for</i>					
Depreciation and amortisation		2,122,854,763	1,419,771,599	1,071,489,142	602,811,266
(Reversal of) loss on impairment of assets	35	(46,456,275)	11,267,088,073	246,098,126	8,983,356,797
Interest income		(3,336,065)	(5,014,311)	(75,416,841)	(65,852,585)
Finance costs	38	952,782,671	2,251,663,129	213,840,160	1,457,655,553
(Reversal of) bad and doubtful debts expense	34	(565,667,265)	(133,732,485)	(64,003,613)	62,121,017
(Reversal of) loss on devaluation of inventories		51,967,737	(902,667,249)	244,321,028	(913,693,213)
(Reversal of) loss on confirmed purchase orders for raw material		83,116,098	(349,964,810)	(63,043,414)	(221,946,374)
Unrealised (gain) loss on exchange		685,533,746	(1,685,837,876)	394,273,018	(1,129,410,702)
Loss on sale of investment in subsidiaries	36	-	613,159,132	-	-
(Reversal of) provision for loss on contract termination	36	(61,599,386)	289,491,303	(61,599,386)	289,491,303
Provision for tax - related liabilities	36	299,921,240	822,364,959	209,569,292	350,541,767
Losses related to performance guarantees	36	-	58,199,496	-	-
(Gain) loss from disposal of assets		(1,631,474)	68,954,997	(1,653,104)	30,163,733
Loss on purchase of inferior raw material	36	-	100,084,678	-	-
Gain from debt restructuring	18	(349,991,856)	(3,187,595,196)	(349,991,856)	(3,187,595,196)
Employee benefit obligations	26	24,036,609	-	14,792,175	-
Consulting fee for bonds restructuring		-	90,000,000	-	90,000,000
		(58,841,808)	(1,451,435,556)	(729,372,884)	(2,113,954,769)
<i>Changes in operating assets and liabilities</i>					
Trade accounts receivable		103,956,567	(216,811,121)	84,170,358	187,851,527
Amount due from related parties		-	(1,446,907)	2,355,324	264,183,476
Inventories		(1,017,637,570)	(957,809,485)	(227,103,901)	(967,535,781)
Receivables from scrap sales		6,800,000	825,000	6,800,000	825,000
Other current assets		55,054,272	(124,459,689)	(17,201,289)	67,874,334
Receivables from others		-	(765,546)	-	-
Other non-current assets		(135,673,261)	(92,040,487)	(46,835,830)	(35,270,925)
Trade accounts payable		2,192,884,336	1,943,696,102	670,694,550	2,013,135,560
Advances received from customers		(990,432,911)	224,112,232	(132,760,472)	398,039,335
Other payable accrued expenses		186,736,003	187,064,248	521,911,089	40,470,291
Other current liabilities		18,289,337	727,758,083	46,109,645	146,723,101
Provision for tax-related liabilities paid		(17,218,355)	-	-	-
Income tax paid		(1,861,106)	(1,492,095)	(914,949)	(1,446,907)
<b>Net cash flows provided by operating activities</b>		<b>342,055,504</b>	<b>237,194,779</b>	<b>177,851,641</b>	<b>894,242</b>

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 2011 and 2010

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2011	2010	2011	2010
		(in Baht)			
<b>Cash flows from investing activities</b>					
Interest received		3,255,566	5,017,360	23,157,205	64,705,206
Increase in current investment		(2,041,537)	(1,838,338)	-	-
(Increase) decrease in restricted deposits					
at financial institutions		3,493,703	(3,767,744)	3,493,574	4,231,875
Purchase of property, plant and equipment		(28,497,823)	(38,449,895)	(24,746,823)	(30,490,384)
Proceeds from sales of property, plant and equipment		1,653,127	1,154,979	1,653,127	1,154,979
Purchase of intangible assets		(36,493)	(26,467,622)	(36,493)	(9,824,838)
Proceeds from receivable from					
related party for offsetting transaction		-	-	11,693,942	67,856,686
Loans to subsidiary		-	-	(13,790,000)	(23,100,000)
Advance for purchase of property, plant and equipment		(58,000,000)	(47,000,000)	-	-
Payment for investing in subsidiaries		-	-	-	(41,446,121)
Proceeds from sales of investment in subsidiary		-	330,706,200	-	-
<b>Net cash flows provided by (used in) investing activities</b>		<b>(80,173,457)</b>	<b>219,354,940</b>	<b>1,424,532</b>	<b>33,087,403</b>
<b>Cash flows from financing activities</b>					
Finance costs paid		(276,083,400)	(311,331,408)	(119,973,907)	(111,145,124)
Payment of liabilities which were included under					
rehabilitation plan		(4,562,834)	(7,247,045)	(4,562,834)	(7,247,045)
Decrease in short-term loans from financial institutions		(13,996,638)	(10,426,879)	(13,996,638)	(10,426,879)
Proceeds from short-term loans from related parties		-	-	-	737,570
Proceeds from short-term loans from other parties		502,642,350	2,059,299,801	-	135,000,000
Repayment of short-term loans from other parties		(503,893,726)	(1,897,739,577)	-	(40,000,000)
Repayment of long-term loans from financial institutions		-	(335,168,000)	-	-
Repayment of finance lease liabilities		(528,415)	(380,804)	(528,415)	(380,804)
Proceeds from issue of ordinary shares of subsidiary to					
non-controlling interests		50,206,283	284,580	-	-
Proceeds from issue of warrants of subsidiary to					
non-controlling interests		-	60,504,563	-	-
<b>Net cash flows used in financing activities</b>		<b>(246,216,380)</b>	<b>(442,204,769)</b>	<b>(139,061,794)</b>	<b>(33,462,282)</b>
<b>Net increase in cash and cash equivalents</b>		<b>15,665,667</b>	<b>14,344,950</b>	<b>40,214,379</b>	<b>519,363</b>
Cash and cash equivalents at 1 January		75,183,363	60,575,747	18,178,077	17,658,714
Effect from exchange rate changes on balances					
held in foreign currencies		466,608	262,666	-	-
<b>Cash and cash equivalents at 31 December</b>	7	<b>91,315,638</b>	<b>75,183,363</b>	<b>58,392,456</b>	<b>18,178,077</b>
		#REF!	#REF!	#REF!	#REF!
<b>Non-cash items</b>					
Conversion of debt to share capital	18, 27	196,870,419	1,790,094,600	196,870,419	1,790,094,600
Issue of ordinary shares to pay for consulting fee					
(including VAT)	27	-	99,813,084	-	99,813,084

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 2011 and 2010

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2011	2010	2011	2010
		(in Baht)			
Non-cash items (continued)					
Offset of receivables from scrap sales with liabilities which were included under the rehabilitation plan, provision for loss on contract termination and payables from purchase of machineries	10, 23	15,745,893	434,554,936	15,745,893	434,554,936
Transfer of receivables from scrap sales to receivable from related party for offsetting transaction	5(e), 10	-	33,501,147	-	33,501,147
Offset of trade accounts receivables with short-term loan from other parties, accrued interest expense, payables from purchase of machineries and trade accounts payable	5(e), 8	586,135,417	353,290,000	384,554,792	-
Transfer guarantee obligation to loan from shareholder	18	-	-	432,622,676	-
Purchase of vehicle under finance lease liabilities		-	2,190,000	-	2,190,000
Transfer of trade accounts receivable to amounts receivable from related parties	5(e), 8	-	-	29,276,360	-
Offsetting between trade accounts receivable and advance received from customers	5(e)	29,276,360	-	-	-

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 2011 and 2010**

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# Notes to the financial statements

G Steel Public Company Limited and its Subsidiaries

For the years ended 31 December 2011 and 2010

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorized for issue by the Board of Directors on 28 February 2012.

## 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 period were Superior Overseas (Thailand) Co., Ltd. (14.81% shareholding) and Khunying Patama Leeswadtrakul Group (8.72% 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 2011 and 2010 were as follows:

Name of the entity	Type of business	Country of incorporation	Ownership interest (%)	
			2011	2010
<i>Direct subsidiaries</i>				
Siam Professional Holdings Co., Ltd. (“SPH”)	Investment holdings company	Thailand	99.99	99.99
G J Steel Public Company Limited (“G J Steel”) (held by Oriental Access Co., Ltd. 21.57 %)	Manufacture and distribution of hot rolled coil steel products	Thailand	43.90	44.12
GS Notes Holding Company Limited (“GS Notes Co”)	Special-purpose restructuring entity	Thailand	99.99	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

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

## 1.2 Refinancing and restructuring

### (A) Trade Creditor Restructuring

Since 31 December 2010, the Company and G J Steel have entered into various debt restructuring agreements with certain offshore major trade creditors (the “Major Trade Creditors”) each 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 225 million (Baht 7,178 million) as at 31 December 2011. G J Steel has entered into agreements with three Major Trade Creditors representing USD 63 million (Baht 2,005 million) of combined debt claims as at 31 December 2011.

Under the terms of the agreements with the Major Trade Creditors, the Company and G J 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 G J 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 G J 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 G J Steel have entered into other debt restructuring agreements with other trade creditors (“Other Trade Creditors”) with varying repayment terms. The total claims restructured by the Company, other than the Major Trade Creditors, are Baht 204 million based on 31 December 2011 balances (*2010: 139 million*). G J Steel has restructured Baht 1,112 million with trade creditors other than the Major Trade Creditors based on 31 December 2011 balances (*2010: 1,099 million*).

The Group and the Company have defaulted on the repayment schedule agreed with certain creditors on 1 January 2012 which the Company had outstanding claims totalling Baht 7,381 million and G J Steel had outstanding claims totaling USD 64 million and Baht 1,071 million (totaling Baht 3,117 million). Under debt restructuring agreement, the Group and the Company have an obligation to pay interest for the amounts on which they defaulted on the repayment to some creditors, at the rate of 7.5% per annum from the date of default. The Group and the Company have entered into further negotiations with those creditors to extend the payment schedule. See further detail in Note 46 regarding Notice letters for an event of default from creditors.

**(B) Cash Settlement agreements**

During the period ended 31 December 2011, the Company and G J Steel have entered into various Cash Settlement Agreements with various creditors (the “Creditors”) in addition to the agreements referred to the paragraph *Trade Creditors Restructuring*. The Company owes the Creditors an aggregate of approximately USD 127 million, EUR 2 million, JPY 37 million and THB 285 million and G J Steel owes the Creditors an aggregate of approximately USD 7.8 million and approximately THB 69.6 million as at 31 December 2011. In exchange for the irrevocable release and discharge of all obligations of the Company towards the Creditors, the Company will make so called Release Payments amounting to approximately USD 78 million, EUR 1 million, JPY 48 million and THB 165 million and G J Steel approximately USD 5.2 million and THB 62.3 million on the conditions:

- If Release Payments are made on or before the date specified in the respective agreements, the Company will be immediately and fully released of its obligations;
- If the Release Payment is not made on the specified date, the Cash Settlement Agreements will be terminated immediately.

The Company and G J Steel have not made the Release Payment on the specific date on each agreement and has entered into negotiations with the Creditors to establish a new payment date without affecting the substance of the Cash Settlement Agreements.

**(C) Restructuring Debt of Major Trade Creditors with End-Use Customers**

Under the terms of the agreements G J Steel has entered into with the two End-Use Customers, G J Steel has agreed to assume direct claim responsibility for the Intermediary’s failure to perform under contracts with the End-Use Customers. As G J Steel has arrived at this negotiated settlement with these two End-Use Customers (the two End-Use Customers are two of the three above-specified Major Trade Creditors), G J Steel has reversed provisions associated with the performance guarantees to accounts payable (see Note 23) and has recorded direct liabilities owed to the End-Use Customers in accordance with the above Major Trade Creditor restructuring terms (the “G J Steel Performance Guarantee Settlement”). The direct liabilities owed as a result of G J Steel Performance Guarantee Settlement have been recorded in other payables and accrued expenses in the Group’s 31 December 2011 statement of financial position (see Note 20). The Company will write-off the previously-provisioned USD 3.1 million trade accounts 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 “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 G J Steel.

Furthermore, as one of the End-Use Customers was also the supplier of the inferior raw material sold to G J Steel, G J 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, (also an End-Use Customer), has agreed to reduce its debt claim against G J Steel by USD 0.6 million (Baht 18 million) as a full and final settlement for G J Steel’s raw material claim.

As the Intermediary has inflicted significant economic damage on the Company via the End-Use Customer Receivable Write-Off and G J Steel via the G J Steel Performance Guarantee Settlement, the Company and G J Steel believe that they are entitled to claims against the Intermediary. The Company and G J Steel are currently evaluating their legal options and may merge their claims for the purpose of seeking relief from the Intermediary.



**(D) Conversion of Overseas Loan to Share Capital**

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 18) 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. On 15 August 2011, the Company's EGM has approved the agreement with Overseas Loan provider whereby the Company will issue 546,862,275 shares with a par value of Baht 1 to Overseas Loan provider as settlement for an outstanding loan balance consisting of a principal of Baht 389 million (USD 12.6 million) and accrued interest of Baht 158 million (USD 5.1 million). Refer to Note 18 and 27 for the further information regarding the increase of the Company's issued and paid-up share capital and debt-to-equity conversion.

**(E) Loan from shareholder**

Also concurrent with the execution of the recapitalization transaction with AM, the Company would issue 850 million new shares to be placed with a shareholder. This shareholder had pledged its shares as collateral for obligations of OAC as further explained in Note 18. The collateral was executed and therefore the Company incurred an obligation to issue shares to the Pledgor with an offsetting receivable from OAC. As a result of the Company's assumption of the obligation to return the Pledgor's Property and the plan to return the Pledgor's Property announced during the first quarter 2011, the Group reclassified the Loan from shareholder as Other Equity in the consolidated statement of financial position as at 31 March 2011. The Company likewise recorded an increase in Other Equity and an intercompany receivable from OAC under Amounts Receivable From Related Parties in the separate statement of financial position as at 31 March 2011 and the Company also has provided allowance for doubtful accounts in its separate financial statements against such receivable with OAC in full (Baht 433 million). On 15 August 2011, the Company's EGM approved the allocation of 850 newly issued ordinary shares to a shareholder to return the Pledgor's Property. The issuance price for these shares, consistent with the minimum share price paid by AM, will be Baht 0.63 per share. The prospective issuance price for these shares does not impact the carrying value of the Loan from Shareholder. Subsequently, during the year 2011, the Company attempted to register the issuance of 850 million new ordinary shares with the Ministry of Commerce ("MOC") for return of the Pledgor's Property but the MOC did not approve to register such shares. Therefore, the Company reclassified the obligation to return the Pledgor's Property of Baht 433 million from Other equity back to Loan from shareholder in the statements of financial positions as at 31 December 2011.

**(F) 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 the Company's new management and the Company'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 G J 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 G J Steel for such goods.



- The receivables from these customers have been outstanding and overdue and, as such, the Company and G J Steel have fully provisioned the unpaid receivables. The Company and G J 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 2011, the gross receivables due to the Company was Baht 498 million and due to G J Steel was Baht 445 million.
- In order to enhance the Group's equity value as it embarks on a recapitalization program, the Lead Shareholder has entered into an agreement with the Company and G J Steel which provides for a three-year irrevocable guarantee in favour of the Company and G J Steel covering full recovery of the aforementioned unpaid receivables.
- Additionally, in order to facilitate a complete recapitalization of the Company and G J 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 G J 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 G J Steel. The Shareholder 2 shares were deposited for the benefit of G J 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 G J 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 G J Steel's management has decided not to recognize any asset or benefit to the Group in its financial statements in respect of this guarantee and pledge. Upon the earlier of (a) the closing of the transaction with AM, (b) the repayment by those accounts receivable or (c) the execution of the guarantee or pledge, the Company and G J Steel will reverse the allowances held in respect of these certain doubtful debts in full or in part.

Refer to note 46, for detail of Pledge enforcement of the Lenders against the Company's shares pledged as collateral for OAC's debt facilities after the reporting period.

### 1.3 Going concern

The Group and the Company made losses for the year ended 31 December 2011 of Baht 3,250 million and Baht 2,508 million, respectively (2010: Baht 12,167 million and Baht 8,462 million, respectively). As at 31 December 2011 net current liabilities exceeded net current assets by Baht 23,197 million and Baht 13,087 million, respectively (2010: Baht 21,483 million and Baht 12,371 million, respectively), with many of its trade accounts payable to suppliers being significantly overdue for payment. During 2011 and 2010, the Group and the Company experienced 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. Moreover, the Group and the Company defaulted on the repayment schedule with creditors and also defaulted on repayment of G J Steel's rehabilitation plan liabilities. As at 31 December 2011, OAC defaulted to repayment under Standstill agreement as described in note 18. The Group and the Company entered into negotiation with the creditors to extend the payment period.

#### *Announced Transaction with a Strategic Partner*

On 1 March 2011, The Company management obtained an investment commitment from ArcelorMittal Netherlands B.V. ("AM"). Commercial terms were agreed and equity subscription agreements and a loan agreement documenting the proposed investment were entered into by the Company, G J Steel and AM. On 1 March 2011 the Board of Directors of both the Company and G J Steel approved the execution of transaction documents governing a proposed investment by AM. The transaction involved 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"), together with the announced approvals sought from the Company's shareholders, AM would 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 would provide AM with a 40.0% ownership position in the Company.

The Subscription Agreement was subject to various conditions precedent, including:

- Establishment of a company to 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 a confirmatory due diligence
- The Company's and G J Steel's obtaining necessary third party consents, including required regulatory consents
- The Company and G J Steel serving notice of termination to counterparties to collateral management agreements
- The Company and G J Steel serving notice of termination to counterparties under related party arrangements as specified by AM
- Satisfactory completion of the Company's and G J Steel's debt restructuring program
- All required Company and G J Steel corporate approvals obtained
- The resignation of 11 Company directors and 7 G J Steel directors

- Conversion of debts owed by G J Steel to the Company and OAC (subsequently defined as the Company Loan and Overdue Service Balance, respectively) of Baht 1,645 million converted into equity of G J Steel
- Amendment of the Articles of Association of the Company and G J Steel in order to increase the foreign shareholding limit of the Company and G J Steel

#### G J Steel Subscription Agreement

Under the terms of the equity subscription agreement between the Company and G J Steel (the “G J Steel Subscription Agreement”), together with the approvals being sought from the G J Steel shareholders, the Company would make a further equity investment in G J Steel by purchasing 15,000 million newly issued shares in G J 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 G J Steel would 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 G J Steel to equity, coupled with the investment via the G J Steel Subscription Agreement, the Company would own approximately 63.8% of G J Steel on a consolidated basis.

#### USD 500 million Credit Facility Agreement

Upon completion of AM’s 40.0% equity investment in the Company, AM would provide a 5-year, unsecured, revolving credit facility (the “Credit Facility”) to the Company and G J Steel totalling USD 500 million. The interest rate on the facility was 12.0% per annum. The Company and G J Steel would share a 2.0% annual commitment fee on the Facility. The Credit Facility would be used by the Company and G J Steel to support working capital, capital expenditure and general corporate purposes. A portion of the facility would be used to facilitate the Company’s and G J Steel’s refinancing of their existing debts.

#### Business Assistance Agreement

AM agreed to provide the Company and G J 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 would 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 G J Steel on the basis of relative annual revenues.
- The Service Fee would 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 will extend for a subsequent 10-year period at AM’s option.

### ***The Company's Extraordinary General Meeting of Shareholders***

On 15 August 2011, the Company's Extraordinary General Meeting of Shareholders ("EGM") passed the following resolutions:

1. Acknowledgement of the rationale, necessity and basis of the proposed transaction for the increase of the Company's registered capital and the allocation of up to 11,920,000,000 newly issued ordinary shares with the par value of Baht 1 per share to AM.
2. Approval of the reduction of the Company's registered capital in the amount of 2,478,304,802 shares with Baht 1 per share, from the existing registered capital of Baht 18,960 million to 16,482 million by cancelling the Company's unissued shares.
3. Approval of the increase of the Company's registered capital of Baht 16,482 million to Baht 29,799 million by issuing 13,316,894,575 newly issued ordinary shares with the par value of Baht 1 per share.
4. Approval of the allocation of the Company's newly issued ordinary shares up to 1,396,894,575 shares under a debt-to-equity swap to the creditors as follows;
  - Allocation the Company's newly issued ordinary shares in the amount not more than of 850,032,300 shares par value of Baht 1 per share to Kwang Sogo, in accordance with the debt-to-equity conversion scheme at a price of Baht 0.63 per share.
  - Allocation the Company's newly issued ordinary shares in the amount not more than of 546,862,275 shares par value of Baht 1 per share to Pacific Harbor, in accordance with the debt-to-equity conversion scheme at a price of Baht 1 per share.
5. Approval of the allocation of the Company's newly issued ordinary shares up to 11,920,000,000 shares with the par value of Baht 1 per share to AM at the offering price not lower than Baht 0.63 per share.
6. Approval of the purchase of newly issued ordinary shares of G J Steel by the Company and OAC in the following amounts;
  - 6,854,166,667 shares of G J Steel will be acquired by the Company and OAC through a debt-to-equity conversion.
  - Up to 15,000 million shares of G J Steel will be acquired by the Company through a private placement.
  - Up to 22,385,641,061 shares, to be acquired by the Company through a tender offer (if required).
7. Approval of the Company to enter into the (i) Credit Facilities Agreement between the Company and G J Steel (as the borrowers) and AM (as the lender) and (ii) Business Assistance Agreement between the Company, G J Steel and AM.

### ***G J Steel's Extraordinary General Meeting of Shareholders***

On 15 August 2011, G J Steel's EGM passed the following resolution:

- 1 Acknowledged the rationale, necessity and basis of the transaction to the increase of G J Steel's registered capital by issuing 21,854,166,667 newly issued ordinary shares with the par value of Baht 0.69 per share and the allocation of up to 21,854,166,667 newly issued ordinary shares of G J Steel with the par value of Baht 0.69 per share to the Company and OAC.

- 2 Approved the increase of G J Steel's registered capital by Baht 15,079,375,000 from the existing registered capital of Baht 40,478,051,204.94 to Baht 55,557,426,204.94 by issuing 21,854,166,667 newly issued ordinary shares with the par value of Baht 0.69 per share.
- 3 Approved the allocation of the G J Steel's newly issued ordinary shares. In order to facilitate the Proposed Transaction, 21,854,166,667 newly issued ordinary shares shall be allocated as follows;
  - 6,854,166,667 newly issued ordinary shares with a par value of Baht 0.69 per share to the Company and OAC at the price of Baht 0.24 per share.
  - Up to 15,000 million newly issued ordinary shares with a par value of Baht 0.69 per share to the Company at the price of Baht 0.24 per share.
- 4 Approved the connected transactions between G J Steel and the major shareholders of G J Steel (the Company and OAC) and G J Steel and AM who will become a major shareholder of the Company.
- 5 Approved G J Steel to enter into the (i) Credit Facilities Agreement between the Company and G J Steel (as the borrowers) and AM (as the lender) and (ii) Business Assistance Agreement between the Company, G J Steel and AM.

#### ***Termination of Subscription Agreement between the Company and AM***

On 19 December 2011, the Company received a notice of termination of the Share Subscription Agreement, from AM, dated 15 December 2011, and the Company has agreed to the termination of the Share Subscription Agreement by AM in accordance with the terms and conditions of the investment under the Share Subscription Agreement.

As a result of the termination of the Company's Shares Subscription Agreement, there is no longer a tender offer for the Company's shares by AM nor a tender offer for G J Steel's shares by the Company and OAC. In addition, the Board of Directors acknowledged and intend to submit to the Annual General Meeting of Shareholders in April 2012 a resolution to revoke resolution No. 1/2011 dated 15 August 2011 which approved the matters relating to the transactions with AM, including the increase of the Company's registered capital and allocation of newly issued shares AM, the amendment to the Company's Articles of Association, the amendment for the conditions stated in the BOI certificates of the Company, and the entry into the Credit Facility Agreement and the Business Assistance Agreement between the Company, G J Steel and AM.

The Group and the Company need to generate sufficient operating cash flows to meet its working capital requirements and operating obligations. 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. 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 generate sufficient cash flows and/or raise additional financing from other sources in order to enable them to continue as going concerns.

The Company plans to address the liquidity problem by seeking a new potential investor, finding additional credit facilities from financial institutions both domestically and abroad, refinancing the existing debt from financial institutions, negotiating improved terms of payment with trade creditors, improving collection of receivables and increasing cash sales.

The Company appointed an advisor on 28 October 2011 to source for new investors. Currently the Company and the advisor are negotiating with two potential investors (in addition to AM) together with debt restructure negotiations with creditors of the Company and G J Steel.

### *Management's conclusion*

The directors are confident that new investment will be successfully completed in 2012 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 the new investment, and the restructuring of the amounts due to the major trade creditors as mentioned above, will be successfully completed in 2012.

## **2 Basis of preparation of the financial statements**

### **(a) Statement of compliance**

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

During 2010 and 2011, the FAP issued the following new and revised TFRS relevant to the Company's operations and effective for accounting periods beginning on or after 1 January 2011:

TFRS	Topic
TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting



TFRS	Topic
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TFRS 3 (revised 2009)	Business Combinations

The adoption of these new and revised TFRS has resulted in changes in the Group's accounting policies. The effects of these changes are disclosed in note 3.

In addition to the above new and revised TFRS, the FAP has issued during 2010 a number of other new and revised TFRS which are expected to be effective for financial statements beginning on or after 1 January 2013 and have not been adopted in the preparation of these financial statements. These new and revised TFRS are disclosed in note 47.

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except as stated in the accounting policies.

**(c) Presentation currency**

The financial statements are prepared and presented in Thai Baht. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest million unless otherwise stated.

**(d) Use of estimates and judgements**

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

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

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

Notes 8 & 10	Allowance for doubtful accounts
Note 9	Allowance for devaluation of inventories
Note 13	Allowance for impairment of investment in subsidiaries
Note 14	Allowance for impairment of advance payment for purchases of property, plant and equipment
Note 15	Appraisal valuations and allowance for impairment of property, plant and equipment and impairment
Notes 23 & 45	Provisions and Contingent liabilities
Note 26	Measurement of defined benefit obligations
Note 42	Valuation of financial instruments

### ***Depreciation method***

The Group decided to change its depreciation method for certain machinery from a unit of production to a straight line basis (over an estimated economic useful economic life of 15-30 years). Refer to Note 3(d) for further details.

## **3 Changes in accounting policies**

### **(a) Overview**

From 1 January 2011, consequent to the adoption of new and revised TFRS as set out in Note 2, the Group has changed its accounting policies in the following areas:

- Presentation of financial statements
- Accounting for business combinations
- Accounting for property, plant and equipment
- Accounting for borrowing costs
- Accounting for employee benefits

Details of the new accounting policies adopted by the Group and the impact of the changes on the financial statements are included in Notes 3(b) to 3(f) below. Other new and revised TFRS did not have any impact on the accounting policies, financial position or performance of the Group. The adoption had no impact on the financial position or performance of the Group as at 31 December 2010. The impact of the changes on the financial statements for the year ended 31 December 2011 is summarized as follows:

<i>For the year ended 31 December 2011</i>		<b>Consolidated financial statements</b> (in million Baht)	<b>Separate financial statements</b>
	<i>Note</i>		
<b><i>Statement of comprehensive income for the year ended 31 December 2011</i></b>			
Increase in loss as a result of the adoption of:			
TAS 16 Property, plant and equipment	3(d)	710	484
TAS 19 Employee benefit	3(f)	24	15
<b>Increase in loss</b>		<b>734</b>	<b>499</b>
 <b><i>For the year ended 31 December 2011</i></b>			
		<b>Consolidated financial statements</b> (in million Baht)	<b>Separate financial statements</b>
<b>Increase in loss per share:</b>			
- Basic loss per share (in Baht)		<b>0.043</b>	<b>0.029</b>



**(b) *Presentation of financial statements***

From 1 January 2011, the Group has adopted TAS 1 Presentation of Financial Statements (Revised 2009). Under the revised standard, a set of financial statements comprises:

- Statement of financial position;
- Statement of comprehensive income;
- Statement of changes in equity;
- Statement of cash flows; and
- Notes to the financial statements.

As a result, the Group presents all owner changes in equity in the statement of changes in equity and all non-owner changes in equity in the statement of comprehensive income. Previously, all such changes were included in the statement of changes in equity.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on reported loss or loss per share.

**(c) *Accounting for business combinations***

From 1 January 2011, the Group has adopted TFRS 3 Business Combinations (revised 2009) and TAS 27 Consolidated and Separate Financial Statements (revised 2009) for all business combinations on or after 1 January 2011. The new policy for accounting for business combinations, together with information on the previous policy, is given below. The new policy has been applied prospectively from 1 January 2011 in accordance with the transitional provisions of the revised standards. There have been no business combinations during 2011 and, accordingly, adoption of these two revised standards has had no impact on profit or earnings per share for 2011.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

*Acquisitions on or after 1 January 2011*

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus  
if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

*Acquisitions between 1 January 2008 and 31 December 2010*

For acquisitions between 1 January 2008 and 31 December 2010, goodwill represented the excess of the cost of the acquisition over the Group's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or securities, that the Group incurred in connection with business combinations were capitalized as part of the cost of the acquisition.

**(d) Accounting for property, plant and equipment**

From 1 January 2011, the Group has adopted TAS 16 (revised 2009) Property, Plant and Equipment in determining and accounting for the cost and depreciable amount of property, plant and equipment.

The principal changes introduced by the revised TAS 16 and affecting the Group are that (i) costs of asset dismantling, 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 changes have been applied prospectively in accordance with the transitional provisions of the revised standard. The changes have had the following impact on the 2011 financial statements:

	<b>Consolidated financial statements</b>	<b>Separate financial statements</b>
	<i>(in million Baht)</i>	
<b><i>Statement of comprehensive income for the year ended 31 December 2011</i></b>		
(Increase) decrease in depreciation charge resulting in:		
Increase in cost of sales	(737)	(511)
Decrease in administrative expenses	27	27
<b>Increase in loss</b>	<b>(710)</b>	<b>(484)</b>
<b>Increase in loss per share:</b>		
- Basic loss per share <i>(in Baht)</i>	<b>0.042</b>	<b>0.028</b>

**(e) Accounting for Borrowing costs**

From 1 January 2011, the Group has adopted TAS 23 (revised 2009) Borrowing Costs.

Under the revised standard, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Under the former standard, there was also an option to expense borrowing costs on qualifying assets when incurred.

It was the Group's policy under the former TAS 23 to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Consequently the adoption of the revised standard has had no impact on reported profit or earnings per share.

**(f) Accounting for employee benefits**

From 1 January 2011, the Group has adopted TAS 19 Employee Benefits.

Under the new policy, the Group's liability for post-employment benefits and other long-term employee benefit obligations is recognised in the financial statements based on calculations performed annually by a qualified actuary using the projected unit credit method. Previously, this liability was recognised as and when payments were made.

The Group's and the Company's liability for post-employment benefit obligations as at 1 January 2011 has been determined to be Baht 66 million and Baht 42 million, respectively. The Group has opted to recognise this liability through the statement of income on a straight-line basis over a five-year period from 1 January 2011. The impact on the financial statements was as follows:

	<b>Consolidated financial statements</b>	<b>Separate financial statements</b>
	<i>(in million Baht)</i>	
<b><i>Statement of financial position as at 31 December 2011</i></b>		
Present value of unfunded obligation	77	49
Unrecognised transitional obligation	(53)	(34)
<b>Statement of financial position obligation</b>	<b>24</b>	<b>15</b>
 Increase in employee benefit obligations	 24	 15
<b>Increase in deficit</b>	<b>24</b>	<b>15</b>
 <b><i>Statement of comprehensive income for the year ended 31 December 2011</i></b>		
Increase in employee expenses resulting in:		
Increase in cost of sales and administrative expenses	24	15
<b>Increase in loss</b>	<b>24</b>	<b>15</b>
 <b>Increase in loss per share:</b>		
- Basic loss per share <i>(in Baht)</i>	0.0014	0.0009

## 4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 3, which addresses changes in accounting policies.

### (a) *Basis of consolidation*

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

#### *Business combinations*

The accounting policy for business combinations has been changed from 1 January 2011. See note 3(c) for details.

The Group applies the acquisition method for all business combinations other than those with entities under common control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, and other professional and consulting fees are expensed as incurred.

### *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. Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

### *Loss of control*

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

### *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 and jointly-controlled entities 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 profit or loss.

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 costs to complete and to make the sale.

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 profit or loss.

**(g) Property, plant and equipment**

*Owned assets*

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

*Leased assets*

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

*Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

*Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on the straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Buildings and improvements	5 - 50 years (Ref to note 3 (d) for further details)
Machinery and equipment	5-30 years (Ref to note 2 (d) and 3 (d) for further details)
Office equipment, furniture and fixtures	5 years
Vehicles	5 years

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

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**(h) Intangible assets**

Intangible assets represent the cost of computer software and a production license. These intangible assets that are acquired by the Group and have finite useful live are measured at cost less accumulated amortisation and impairment losses.

*Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

*Amortisation*

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

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

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**(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 assets' recoverable amounts are estimated.

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



### *Calculation of recoverable amount*

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

### *Reversals of impairment*

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

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

### **(k) *Interest-bearing liabilities***

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

### **(l) *Trade and other accounts payable***

Trade and other accounts payable are stated at cost.

### **(m) *Employee benefits***

#### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in profit or loss.

### *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

## **(n) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### *Onerous contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived by the 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.

**(o) Revenue**

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

*Sale of goods*

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

*Interest income*

Interest income is recognised in profit or loss as it accrues.

**(p) Finance costs**

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), and losses on hedging instruments that are recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

**(q) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

*Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

**(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.

In determining the amount of current tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

**(s) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

**5 Related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with related parties were as follows:

<b>Name of entities</b>	<b>Country of incorporation/ nationality</b>	<b>Type of business</b>	<b>Nature of relationships</b>
SPH	Thailand	Investment Holdings company	Subsidiary, 99.99% shareholding, common directors
G J Steel	Thailand	Manufacture and sale of steel	Subsidiary, 43.90% 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

Name of entities	Country of incorporation/ nationality	Type of business	Nature of relationships
Sukhumvit Inter Development Co., Ltd.	Thailand	Trading of raw water	Common shareholder with the Company
Mill Con Steel Industries PCL.	Thailand	Manufacture and sale of steel	Common directors with the Company and G J Steel
Millcon Burapa Co., Ltd. (Formerly: BRP Steel Co., Ltd.)	Thailand	Manufacture and sale of steel bar	Common directors with the Company and G J Steel
Great Siam Steel Works Co., Ltd. (Formerly: Great Eastern International Co., Ltd.)	Thailand	Trading of rolled steel	Common directors with G J Steel
Advance Metal Fabrications Co., Ltd.	Thailand	Trading of steel	Shareholder is a Company director
SSP Place Co., Ltd. ("SSP")	Thailand	Office rental	Common director with G J Steel
Asia Metal PCL.	Thailand	Manufacture and sale of steel	Common shareholder with Company and common directors with G J Steel
Asia Metal Fabrication Co., Ltd.	Thailand	Factory construction service	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 common Executive with G J Steel
Thailand Iron Works PCL.	Thailand	Manufacture and sale of galvanised steel	Common directors with G J Steel
Intelligent System Network Co., Ltd.	Thailand	Sale of computer hardware, software and system installation	Common directors with the Company and G J Steel
Felix River Kwai Resort (Kanchanaburi) Co., Ltd.	Thailand	Hotel, food and beverage	Common directors with G J Steel
Turnaround Steel Management LLC ("TSM")	U.S.A	Financial advisory & management services	Common director until 17 June 2011
Global Principal Partners LLC ("GPP")	U.S.A	Financial advisory services	Common director until 17 June 2011
Key management personnel	Thailand	-	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.

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

<b>Transactions</b>	<b>Pricing policies</b>
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
Financial advisory services	Per Contract
Financial advisory and management services	Per Contract

Significant transactions for the years ended 31 December 2011 and 2010 with related parties were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2011	2010	2011	2010
<b><i>Year ended 31 December</i></b>	<b><i>( in million Baht)</i></b>			
<b>Subsidiaries</b>				
Interest income	-	-	75	63
Purchase of raw material and finished goods	-	-	224	13
Other purchase	-	-	-	5
Sales of raw material and other (presented in other income net of related cost)	-	-	15	22
<b>Key management personnel</b>				
Key management personnel compensation				
Salary and bonus	63	60	36	35
Meeting allowance and other benefits	22	15	16	11
<b>Other related parties</b>				
Sale of finished goods	2,857	2,515	167	675
Purchase of raw water	11	6	11	6
Purchase of raw material	1,784	1,167	1,784	1,032
Financial advisory and management service fees	11	120	11	120
Rental and service expense	12	11	8	8
Fixed asset purchases	-	2	-	2
Sales of raw material and other (presented in other income net of related cost)	-	5	-	5

- (a) Turnaround Steel Management (“TSM”) assisted the Company from February 2010 to 30 September 2011. TSM was considered a related party to the Company, although it has no contractual relationship with the Company, as TSM’s representatives performed key management duties at the Company during part of the years ended 31 December 2011 and 2010 (Mr. Levy and Mr. Garas of TSM have been members of the Company’s Board of Directors until 17 June 2011). As at 31 December 2010 and 2011, the Company held balances due to TSM of USD 260,889 and had not conducted any transactions with TSM during the year ended 31 December 2011.

- (b) 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 and expired on 30 September 2011. GPP is an affiliate of TSM and has also been engaged by G J 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 G J 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).
- (c) G J Steel entered into an agreement on 22 March 2010 with GPP which expired on 30 September 2011. Under the 22 March 2010 agreement, GPP agreed to secure additional credit facilities and new investments for G J Steel, restructure its trade payables, structure a management agreement and assist G J Steel to achieve more efficient strategic coordination with the Company. 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 G J Steel as at 31 December 2011 and 2010.

Balances as at 31 December 2011 and 2010 with related parties were as follows

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<i>Note</i>	2011	2010	2011	2010
		<i>(in million Baht)</i>			
<b>Trade accounts receivable</b>	8				
<b>Other related parties</b>					
Great Siam Steel Works Co., Ltd. (Formerly: Great Eastern International Co., Ltd.)		-	181	-	181
Advance Metal Fabrication Co., Ltd.		54	55	54	55
		<u>54</u>	<u>236</u>	<u>54</u>	<u>236</u>
Less allowance for doubtful accounts		(54)	(236)	(54)	(236)
<b>Net</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 (Reversal of) bad and doubtful debts expense for the year	34	<u>(181)</u>	<u>236</u>	<u>(181)</u>	<u>236</u>
 <b>Amount receivable from related parties</b>					
<b>Receivable from sales of raw materials and other</b>					
<b>Subsidiary</b>					
G J Steel		-	-	156	111
<b>Other related parties</b>					
Advance Metal Fabrication Co., Ltd.		1	1	1	1
Less allowance for doubtful account		(1)	(1)	(1)	(1)
<b>Net</b>		<u>-</u>	<u>-</u>	<u>156</u>	<u>111</u>

		Consolidated financial statements		Separate financial statements	
	Note	2011	2010	2011	2010
		(in million Baht)			
<b>Receivable from operating service income</b>					
<b>Subsidiary</b>					
OAC		-	-	1,104	1,069
Less allowance for doubtful account		-	-	(1,104)	(1,069)
<b>Net</b>		-	-	-	-
<b>Receivable from guarantee obligation</b>					
<b>Subsidiary</b>					
OAC		-	-	433	-
Less allowance for doubtful account		-	-	(433)	-
<b>Net</b>		-	-	-	-
<b>Total</b>		-	-	<b>156</b>	<b>111</b>
(Reversal of) bad and doubtful debts expense for the year	34	-	-	<b>468</b>	<b>(102)</b>
				<b>Consolidated and Separate financial statements</b>	
				2011	2010
				(in million Baht)	
<b>Receivables from scrap sales</b>			10		
<b>Other related party</b>					
Advance Metal Fabrication Co., Ltd.				339	352
Less allowance for doubtful account				(339)	(352)
<b>Net</b>				-	-
				<b>Separate financial statements</b>	
				2011	2010
				(in million Baht)	
<b>Other current assets</b>					
<b>Subsidiary</b>					
<b>Interest receivable</b>					
G J Steel				<b>53</b>	<b>1</b>
<b>Receivable from offsetting transactions</b> (see Notes (d), (e) below)					
<b>Subsidiary</b>					
G J Steel				<b>946</b>	<b>958</b>



Movements for the periods ended 31 December of receivable to related party from offsetting of machinery purchase were as follows:

	<i>Note</i>	<b>Separate financial statements</b>	
		2011	2010
		<i>(in million Baht)</i>	
As 1 January		958	992
Increase		-	34
Decrease		(12)	(68)
<b>As at 31 December</b>		<b>946</b>	<b>958</b>
		<b>Consolidated and Separate financial statements</b>	
		2011	2010
		<i>(in million Baht)</i>	
<i>Advance payment for purchases of property, plant and equipment</i>			
<b>Other related party</b>			
Asia Metal Fabrication Co., Ltd.		8	8
Less allowance for impairment asset		(8)	(8)
<b>Net</b>		<b>-</b>	<b>-</b>
		<b>Separate financial statements</b>	
		2011	2010
		<i>(in million Baht)</i>	
<i>Other non-current asset</i>			
<i>Loans to and interest receivable from related parties</i>			
<b>Subsidiaries</b>			
<i>Loans to related parties</i>			
OAC		2,152	2,138
SPH		5	5
		<b>2,157</b>	<b>2,143</b>
Less allowance for doubtful accounts		(2,157)	(2,143)
<b>Net</b>		<b>-</b>	<b>-</b>
<i>Interest receivable from related parties</i>			
OAC		209	209
SPH		1	1
		<b>210</b>	<b>210</b>
Less allowance for doubtful accounts		(210)	(210)
<b>Net</b>		<b>-</b>	<b>-</b>
Bad and doubtful debts expense for the year	34	<b>14</b>	<b>23</b>

Movements of loans to related parties for the periods ended 31 December were as follows:

	<b>Separate financial statements</b>	
	2011	2010
	<i>(in million Baht)</i>	
<b><i>Loans to related parties</i></b>		
As at 1 January	2,143	2,120
Increase	14	23
<b>As at 31 December</b>	<b>2,157</b>	<b>2,143</b>

	<b>Consolidated and Separate financial statements</b>	
	2011	2010
	<i>(in million Baht)</i>	
<b><i>Deposit - other related parties</i></b>		
Sukhumvit Inter Development Co., Ltd.	3	3
SSP Place Co., Ltd.	1	1
<b>Total</b>	<b>4</b>	<b>4</b>

- (d) In 2009, G J Steel entered into an agreement with an overseas counterparty (“Counterparty A”), which 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). G J 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 G J Steel for the machinery purchase. Subsequently, the parties agreed to fix the USD/Baht exchange rate for the machinery purchase. As a result, the USD 29.8 million purchase price was converted to Baht 992 million. The Baht 992 million originally owed to Counterparty A was then owed to the Company by virtue of the aforementioned transaction. At a Board of Directors’ meeting of G J Steel held on 6 November 2009, the Board of Directors of G J 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 G J Steel shall be deducted first from outstanding interest payable with any remaining balance deducted from outstanding principal. The amounts payable to the Company by G J Steel is classified as a non-current asset as at 31 December 2010. Refer to Note 1.2, during 2011, G J Steel revoked the resolution of EGM approving the transaction with AM, including conversation of debts owed by G J Steel to the Company.

As at 31 December 2011, the Company classified the amount receivable to G J Steel of Baht 946 million to current Assets because the repayment period will be due within one year.

(e) The chronology of other offsetting transactions ultimately involving the Company and G J Steel is as follows:

- i. On 17 May 2010, G J Steel's Board of Directors acknowledged the offset of receivables due from an overseas counterparty ("Counterparty D") (USD 10.4 million, equivalent to Baht 353 million) and payables due to Counterparty A, a company related to Counterparty D. G J Steel's Board of Directors approved an agreement documenting the G J Steel's offset of these balances. The accounts receivable amounts due from Counterparty D had previously been fully provisioned. Following this transaction, G J Steel had a net payable balance due to Counterparty A of Baht 51 million.
- ii. On 10 June 2010, G J Steel's Board of Directors acknowledged that Baht 33 million (USD 1.04 million) of the amounts owed by G J 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. Following the acceptance of the subrogation rights, the amount owed by G J Steel to Counterparty A, after allowing for changes in foreign exchange rates, was Baht 14 million (USD 0.5 million).
- iii. On 11 August 2010, G J 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 G J Steel shall be deducted first from outstanding interest payable with any remaining balance deducted from outstanding principal. The amounts owed by G J Steel to the Company under paragraph 5(d) and 5(e) (the "Company Loan") as at 31 December 2011 were Baht 946 million (2010: Baht 958 million).
- iv. During the year ended 31 December 2011, G J Steel entered into a memorandum of understanding to offset an advance received from a customer amounting to Baht 29 million with an amount payable to the same customer by the Company.

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
		(in million Baht)			
<b>Trade accounts payable</b>	19				
<b>Subsidiary</b>					
G J Steel		-	-	16	-
<b>Other related parties</b>					
Sukhumvit Inter Development Co., Ltd.		2	1	2	1
Advance Metal Fabrication Co., Ltd.		66	58	66	58
<b>Total</b>		<b>68</b>	<b>59</b>	<b>84</b>	<b>59</b>
<b>Other payables and accrued expenses</b>					
<b>Other related parties</b>					
Sukhumvit Inter Development Co., Ltd.		1	1	1	1
GPP		-	95	-	95
TSM		-	4	-	4
SSP Place Co., Ltd.		3	3	2	1
<b>Total</b>		<b>4</b>	<b>103</b>	<b>3</b>	<b>101</b>

	Consolidated financial statements		Separate financial statements	
Note	2011	2010	2011	2010
	(in million Baht)			
<i>Advances received from customers</i>				
<b>Other related parties</b>				
Mill Con Steel Industries PCL.	76	163	30	37
Asia Metal PCL.	121	93	20	20
Millcon Burapa Co., Ltd. (Formerly: BRP Steel Co., Ltd.)	5	58	-	-
<b>Total</b>	<b>202</b>	<b>314</b>	<b>50</b>	<b>57</b>
<i>Other current liabilities</i>				
<i>Short-term loan</i>				
<b>Subsidiary</b>				
GS Notes Co	-	-	1	1
<i>Machinery and construction payables</i>				
<b>Other related party</b>				
Asia Metal Fabrication Co., Ltd.	1	1	1	1
<b>Total</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>

#### *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 2011 and 2010 was Baht 1,447 million (USD 45.5 million) and Baht 1,377 million (USD 45.5 million) respectively.

#### *Other significant agreements concerning related parties*

According to an agreement executed on 11 September 2006, G J 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 G J Steel's operation and (ii) act as G J 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 G J Steel wishes to terminate the operation service agreement prior to the expiration of the term of the operation service agreement, then G J Steel would be required to pay OAC the termination fees as specified in the agreement upon such termination.

G J Steel was USD 28 million (Baht 905 million) in arrears (“Overdue Service Balances”) under the terms of the agreement with OAC as at 31 December 2011 (2010: Baht 577 million). While OAC has not assessed any interest or fees for G J Steel’s failure to pay amounts under the agreement when due, G J Steel’s understanding with OAC is that G J Steel will make periodic payments to OAC against the Overdue Service Balances when cash resources are available to do so.

## 6 Transactions with business alliances

Since its inception, the Group 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 Group 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 2011 and 2010 with business alliances were as follows:

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	(in million Baht)			
Sale of goods	60	729	60	651
Purchase of raw material	487	381	416	359
Transportation expenses and other services	492	315	202	314

Balances as at 31 December 2011 and 2010 with business alliances were as follows:

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<i>Note</i>	2011	2010	2011	2010
		<i>(in million Baht)</i>			
<b>Trade accounts receivable</b>	<b>8</b>				
Federal Steel Industry Co., Ltd.		333	334	333	334
Millenium Metal Work Co., Ltd.		29	29	29	29
		<u>362</u>	<u>363</u>	<u>362</u>	<u>363</u>
Less allowance for doubtful account		(362)	(363)	(362)	(363)
<b>Net</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 (Reversal of) bad and doubtful debts expense for the year		<u>(1)</u>	<u>363</u>	<u>(1)</u>	<u>363</u>
<b>Other current assets - other receivables</b>	<b>11</b>				
Trinity Freight and Shipping Co., Ltd.		2	1	1	1
Nara International Co., Ltd.		33	35	33	35
		<u>35</u>	<u>36</u>	<u>34</u>	<u>36</u>
Less allowance for doubtful account		(33)	(35)	(33)	(35)
<b>Net</b>		<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>
<b>Trade accounts payable</b>	<b>19</b>				
Nara International Co., Ltd.		24	9	10	9
		<u>24</u>	<u>9</u>	<u>10</u>	<u>9</u>
<b>Other payable and accrued expenses</b>	<b>20</b>				
Trinity International Co., Ltd.		10	18	10	18
Trinity Freight and Shipping Co., Ltd.		65	80	26	37
<b>Total</b>		<u>75</u>	<u>98</u>	<u>36</u>	<u>55</u>

## 7 Cash and cash equivalents

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Cash and deposits at financial institutions	89	73	58	18
Fixed deposits due within three months	2	2	-	-
<b>Total</b>	<u>91</u>	<u>75</u>	<u>58</u>	<u>18</u>

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Thai Baht (THB)	78	62	54	14
United States Dollar (USD)	14	13	4	4
<b>Total</b>	<u>91</u>	<u>75</u>	<u>58</u>	<u>18</u>

## 8 Trade accounts receivable

		Consolidated financial statements		Separate financial statements	
	Note	2011	2010	2011	2010
		<i>(in million Baht)</i>			
Related parties	5	54	236	54	236
Business alliances	6	362	363	362	363
Other parties		1,152	1,682	509	819
		1,568	2,281	925	1,418
Less allowance for doubtful accounts		(1,098)	(1,637)	(673)	(1,192)
<b>Net</b>		<b>470</b>	<b>644</b>	<b>252</b>	<b>226</b>
(Reversal of ) Bad and doubtful debts expense for the year	34	<b>(539)</b>	<b>297</b>	<b>(519)</b>	<b>572</b>

Aging analyses for trade accounts receivable were as follows:

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>( in million Baht)</i>			
<b>Related parties</b>				
Overdue:				
6-12 months	-	66	-	66
Over 12 months	54	170	-	170
	<b>54</b>	<b>236</b>	<b>54</b>	<b>236</b>
Less allowance for doubtful account	(54)	(236)	(54)	(236)
<b>Net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>( in million Baht)</i>			
<b>Business alliances</b>				
Overdue:				
6-12 months	-	79	-	79
Over 12 months	362	284	362	284
	<b>362</b>	<b>363</b>	<b>362</b>	<b>363</b>
Less allowance for doubtful accounts	(362)	(363)	(362)	(363)
<b>Net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other parties</b>				
Overdue:				
Less than 3 months	232	344	231	226
3-6 months	1	272	1	-
6-12 months	28	39	20	26
Over 12 months	891	1,027	257	567
	<b>1,152</b>	<b>1,682</b>	<b>509</b>	<b>819</b>
Less allowance for doubtful accounts	(682)	(1,038)	(257)	(593)
<b>Net</b>	<b>470</b>	<b>644</b>	<b>252</b>	<b>226</b>
<b>Total</b>	<b>470</b>	<b>644</b>	<b>252</b>	<b>226</b>

### ***Customary credit terms***

The normal credit terms granted by the Company and G J Steel are cash for domestic sales (since third quarter of 2010), and for export sales the general terms are that sales are covered by letters of credit at sight.

### ***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 2011 and 2010.

The overall growth in accounts receivables other parties and inventories during the year ended 31 December 2011 and 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 Supporting Customer has made or payables owed to the Supporting Customer by virtue of its letter of credit drawdown in support of the Company’s raw material needs. 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 2.18% 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 252 million as at 31 December 2011 (2010: Baht 219 million). Sales transactions for the year ended 31 December 2011 with the Supporting Customer were Baht 11,986 million (2010: Baht 4,839 million).

A similar arrangement was entered into with another customer (“Supporting Customer 2”) in July 2010. The balance due from the Supporting Customer 2 was Baht 7 million as at 31 December 2010. Sales transactions for the year ended 31 December 2011 with the Supporting Customer 2 were Baht 25 million (2010: Baht 854 million).

### ***Significant overdue balances***

As at 31 December 2011, trade accounts receivable-other parties of the Company amounting to Baht 158 million represents outstanding balances of one domestic customer (the “Non-Performing Customers”) for which the Company has set aside full allowance for doubtful accounts (2010: three customers, Baht 484 million).

On 4 March 2011, the Company’s Board of Directors agreed to revisions of the Non-Performing Customers’ accounts receivable repayment schedules. Under the original repayment schedules, the two Non-Performing Customers were due to make installment 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.



During the year ended 31 December 2011, the Company, one of the Non-Performing Customers and the lender providing the Company with the Domestic Loan (as defined in Note 18) agreed to a settlement arrangement under which the provider of the Domestic Loan agreed to collect the Baht 136 million owed by the Company under the Domestic Loan from the Non-Performing Customer. As a result of the Company's satisfaction of its repayment obligations under the Domestic Loan under this agreement, as of 31 December 2011 the Company has recorded a full repayment of the Domestic Loan and has correspondingly recorded a reversal of the provisions associated with a portion of this Non-Performing Customer's unpaid receivable equal to Baht 136 million. See Note 18 for further details concerning the Domestic Loan.

On 29 June 2011 the Company's Board of Directors has resolved to approve the tri-parties settlement agreement with two machinery suppliers which previously the Company has compromised the debt with these two creditors. However, the Company cannot comply with the terms and conditions of the agreements with these two creditors. The Company requested a non-performing customer who had outstanding overdue receivables balance with the Company to enter into tri-parties settlement agreement with two creditors of the Company as follows;

1. The Non-performing customer of the Company will pay USD 0.9 million (equivalent to Baht 27.2 million) to a machinery supplier to offset the outstanding receivable from the Company.
2. The Non-performing customer of the Company will pay USD 2 million (equivalent to Baht 60.5 million) to another machinery supplier to offset the outstanding receivable from the Company.

After recording the offsetting transactions, the Company had no outstanding receivables from this non-performing customer.

As at 31 December 2011, G J Steel had trade receivables of Baht 425 million (2010: Baht 445 million) from two domestic customers (the "GJS Non-Performing Domestic Customers") for which G J Steel has made a Baht 425 million allowance for doubtful accounts (2010: Baht 445 million).

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:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Related parties	54	236	54	236
Business alliances	363	363	363	363
Other parties	582	929	158	484
	<u>999</u>	<u>1,528</u>	<u>575</u>	<u>1,083</u>
Less allowance for doubtful account	<u>(999)</u>	<u>(1,528)</u>	<u>(575)</u>	<u>(1,083)</u>
<b>Net</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Sales transactions for year ended 31 December 2011 and 2010 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:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2011	2010	2011	2010
	<i>( in million Baht)</i>			
<b><i>For the year ended 31 December</i></b>				
Related parties	105	454	105	454
Business alliances	60	570	60	570
Other parties	445	1,092	-	120
<b>Total</b>	<b>610</b>	<b>2,116</b>	<b>165</b>	<b>1,144</b>

#### ***Account receivable offsets***

Trade account receivables are stated net, after offset of payables and short-term loan from other parties, accrued interest and transfer to receivable from related party for offsetting transaction are shown as follow:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Balance before offset transactions	2,183	2,634	1,339	1,418
Offset transactions	(615)	(353)	(414)	-
<b>Net after offset transactions</b>	<b>1,568</b>	<b>2,281</b>	<b>925</b>	<b>1,418</b>

See Notes 5(d), 5(e) and Note 1.2 for background concerning the offsetting transactions between the Company, Counterparty A and G J Steel (and the associated transactions between G J Steel, Counterparty D and Counterparty A) as well as the resulting payment terms between G J Steel and the Company.

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Thai Baht (THB)	1,554	2,174	827	1,325
United States Dollar (USD)	14	107	98	93
<b>Total</b>	<b>1,568</b>	<b>2,281</b>	<b>925</b>	<b>1,418</b>

## 9 Inventories

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>( in million Baht)</i>			
Finished goods	2,398	1,416	2,113	974
Raw materials	1,838	1,605	353	1,254
Spare parts	519	533	303	303
Consumables	165	121	45	21
Others	178	159	97	132
	<u>5,098</u>	<u>3,834</u>	<u>2,911</u>	<u>2,684</u>
Less : Allowance for devaluation of inventories	<u>(522)</u>	<u>(224)</u>	<u>(356)</u>	<u>(112)</u>
<b>Net</b>	<b><u>4,576</u></b>	<b><u>3,610</u></b>	<b><u>2,555</u></b>	<b><u>2,572</u></b>
Carrying value of inventories pledged to secure liabilities	<u><b>3,923</b></u>	<u><b>1,977</b></u>	<u><b>2,401</b></u>	<u><b>1,820</b></u>

During the fourth quarter 2011, G J Steel purchased raw material amounting to USD 41.21 million (approximately Baht 1,312 million), G J Steel transferred its right to a creditor and pledged raw material as collateral to such creditor with interest charge at 2.5% per annum.

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>( in million Baht)</i>			
Inventories recognised as an expense in 'cost of sales of goods':				
Cost	31,119	23,295	13,425	8,481
(Reversal) of allowance for devaluation of inventories	<u>252</u>	<u>(903)</u>	<u>244</u>	<u>(914)</u>
<b>Net</b>	<b><u>31,371</u></b>	<b><u>22,392</u></b>	<b><u>13,669</u></b>	<b><u>7,567</u></b>

## 10 Receivables from scrap sales

		Consolidate and Separate financial statements	
	Note	2011	2010
		<i>(in million Baht)</i>	
Related party	5	339	352
Other parties		<u>-</u>	<u>10</u>
		<u>339</u>	<u>362</u>
Less allowance for doubtful accounts		<u>(339)</u>	<u>(362)</u>
<b>Net</b>		<u><b>-</b></u>	<u><b>-</b></u>
Reversal of bad and doubtful debts expense for the year	34	<u><b>(23)</b></u>	<u><b>(469)</b></u>

### *Receivables from scrap sales offsets*

Receivables from scrap sales are stated net, after offset transaction for machinery purchase, collection and other offsets are shown as follow:

	Note	Consolidated and Separate financial statements	
		2011	2010
		<i>(in million Baht)</i>	
Balance - beginning of the year		362	831
Offset transaction for machinery purchases	23	(10)	(468)
Collection and other offset		(13)	(1)
<b>Balance - end of the year</b>		<b>339</b>	<b>362</b>

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 year with counterparties for the sale of scrap were as follows:

- As stated in Note 5(d), in 2009 the Company and Counterparty A agreed to settle Counterparty A's amounts owed to the Company by assigning Counterparty A's receivable rights in relation to G J Steel's purchase of machinery from Counterparty A for Baht 992 million to the Company. Furthermore, as stated in Note 5(e)(ii), on 10 June 2010 Baht 33 million of the amounts owed by G J Steel to Counterparty A were subrogated in favour of the Company as a means of settling the remaining Baht 33 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 10 June 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 21 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. The Company recorded an impairment charge of Baht 40 million in respect of this equipment during the year ended 31 December 2010.

## 11 Other current assets

	<i>Note</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		2011	2010	2011	2010
		<i>(in million Baht)</i>			
Other receivables		100	137	38	76
Less allowance for doubtful accounts		(87)	(92)	(33)	(38)
		<u>13</u>	<u>45</u>	<u>5</u>	<u>38</u>
Advance for purchases of goods and service		186	238	81	50
Less allowance for doubtful accounts		(28)	(28)	-	-
		<u>158</u>	<u>210</u>	<u>81</u>	<u>50</u>
Refundable value added tax		78	38	1	1
Suspense value added tax		229	251	134	127
Others		56	173	89	54
<b>Net</b>		<u><b>534</b></u>	<u><b>717</b></u>	<u><b>310</b></u>	<u><b>270</b></u>
(Reversal of) bad and doubtful debts expense for the year	34	<u>(4)</u>	<u>38</u>	<u>(4)</u>	<u>38</u>

Other receivables as at 31 December 2009 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, 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:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Thai Baht (THB)	485	537	302	225
United States Dollar (USD)	126	266	20	66
Others	38	34	21	17
	<u>649</u>	<u>837</u>	<u>343</u>	<u>308</u>
Less allowance for doubtful accounts	(115)	(120)	(33)	(38)
<b>Total</b>	<u><b>534</b></u>	<u><b>717</b></u>	<u><b>310</b></u>	<u><b>270</b></u>

## 12 Restricted deposits at financial institutions

As at 31 December 2011 and 2010, the Group and the Company had pledged their deposits at financial institutions to secure credit facilities from those financial institutions as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Guarantee for purchasing of goods	-	2	-	2
Guarantee for utility supplies and services	201	202	24	25
<b>Total</b>	<b>201</b>	<b>204</b>	<b>24</b>	<b>27</b>

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Thai Baht (THB)	201	202	24	25
United States Dollar (USD)	-	2	-	2
<b>Total</b>	<b>201</b>	<b>204</b>	<b>24</b>	<b>27</b>

### 13 Investments in subsidiaries

Investments in subsidiaries as at 31 December 2011 and 2010 were as follows:

Separate financial statements									
Ownership interest 2011      2010 (%)		Paid-up capital 2011      2010 (in million Baht)		Cost method 2011      2010		Impairment 2011      2010 (in million Baht)		At cost - net 2011      2010	
<i>Subsidiaries</i>									
<b>Ordinary shares:</b>									
SPH	99.99	99.99	341	341	341	341	(341)	(341)	-
G J Steel	22.33	22.44	27,533	27,395	3,503	3,503	(770)	(478)	2,733
GS Notes Co	99.99	99.99	2,722	2,722	1	1	-	-	1
					<b>3,845</b>	<b>3,845</b>	<b>(1,111)</b>	<b>(819)</b>	<b>2,734</b>
									<b>3,026</b>
<b>Warrants:</b>									
G J Steel					40	40	-	-	40
<b>Total</b>					<b>3,885</b>	<b>3,885</b>	<b>(1,111)</b>	<b>(819)</b>	<b>2,774</b>
									<b>3,066</b>

As at 31 December 2011, the market price of ordinary shares of G J Steel was Baht 0.14 per share (2010: Baht 0.25 per share), equivalent to the valuation of investment of Baht 1,248 million. (2010: Baht 2,228 million)

## SPH

SPH acts principally as the holding company for an investment in OAC, which is currently experiencing financial difficulties. Refer to Note 18 for further information on the current situation between OAC and the Lenders. As at 31 December 2011 and 2010, the Company in its separate financial statements, made full allowance for impairment in the value of SPH.

## G J Steel

As at 31 December 2009, the Company and OAC held a total of 19,718 million shares of G J Steel (the Company only: 8,911 million shares of G J 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, the Company had a consolidated 49.66% shareholding in G J 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 G J Steel as security for the loan.

As stated in Note 18, on 12 May 2010 OAC sold 2,200 million shares in G J Steel in order to maintain its compliance with the Standstill Agreement (as defined in Note 18). OAC sold these G J 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 non-controlling interests and changes in the net book value of G J Steel since the investment was made, a loss of Baht 613 million was recorded in the Group's consolidated statement of comprehensive income for the year ended 31 December 2010 (Note 36). Accordingly, as of 31 December 2010, the Company and OAC held a total of 17,518 million shares of G J Steel which represented 44.12% shareholding in G J Steel.

During 2011, G J Steel's shareholders exercised G J Steel Second Warrants to purchase ordinary shares of G J Steel in amount of 200.83 million shares. Accordingly, as of 31 December 2011, the Company and OAC held 43.90% shareholding in G J Steel.

The book value of G J Steel was Baht 0.31 per share as at 31 December 2011 and the Company's investment cost in G J Steel was Baht 0.39 per share. Accordingly, during the year ended 31 December 2011, the Company has recorded an additional impairment charge in its separate financial statements with respect to its investment in G J Steel of Baht 293 million (approximately Baht 0.03 per share).

### *G J Steel Second Warrants*

- G J Steel allotted 5,000 million "G J Steel Second Warrants" to shareholders whose names appeared in G J 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 G J Steel Second Warrant unit was Baht 0.03 per unit.
- One G J Steel Second Warrant unit is exercisable for three new ordinary shares of G J 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 G J Steel Second Warrant, the holder is required to remit Baht 0.75 per unit to the Company.
- The G J 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 G J 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 G J 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 G J Steel Second Warrants was completed by G J Steel on 13 December 2010. The Company and OAC were permitted the opportunity to subscribe to the G J Steel Second Warrants proportionate to their ownership in G J 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 G J Steel Second Warrants in order to maintain the consolidated investment integrity of the Group. As a result, the Company obtained 1,348 million G J Steel Second Warrants units and OAC obtained 1,635 million G J Steel Second Warrants units. Refer to note 18, the Company pledged 500 million units of its G J Steel Second Warrants as collateral for the benefit of the lender of loan from an individual and OAC also provided 1,361 million units of its G J Steel Second Warrants as further collateral for the lenders of long-term loans from financial institutions.

### 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. Refer to Note 18 for further details concerning GS Notes Co and the Bond restructuring.

## 14 Advance payment for purchases of property, plant and equipment

Note	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Advance payment for:				
Hot rolled coil expansion project	1,863	1,862	1,863	1,862
Coil conditioning line project	692	739	692	739
Others	350	293	-	-
	<u>2,905</u>	<u>2,894</u>	<u>2,555</u>	<u>2,601</u>
Less allowance for loss on impairment	<u>(2,695)</u>	<u>(2,742)</u>	<u>(2,555)</u>	<u>(2,601)</u>
<b>Net</b>	<u><b>210</b></u>	<u><b>152</b></u>	<u><b>-</b></u>	<u><b>-</b></u>
(Reversal of) loss on impairment of assets for the year	35 <u>(46)</u>	<u>2,613</u>	<u>(46)</u>	<u>2,601</u>

Prior to 2008, the Company and G J Steel had embarked on a number of expansion and downstream expansion projects. Following the market downturn and subsequent liquidity crisis at the Company and G J 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 year 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. Subsequently, during 2011, the Company and the machinery suppliers entered into termination agreements. As at 31 December 2011 and 2010, the Company recorded allowance for loss on impairment for advance payment which relating to the project in full.

## 15 Property, plant and equipment

	Consolidated financial statements					
	Land and land improvements	Building and improvement	Machinery and equipment	Office equipment furniture and fixtures	Vehicles	Assets under construction and installation
	<i>(in million Baht)</i>					
<b>Cost</b>						Total
At 1 January 2010	1,592	9,482	39,248	410	12	64,613
Additions	-	-	2	3	3	1,492
Disposals	-	-	(2)	(16)	(3)	(21)
Transfers	-	-	41	7	-	(4)
<b>At 31 December 2010 and 1 January 2011</b>	<b>1,592</b>	<b>9,482</b>	<b>39,289</b>	<b>404</b>	<b>12</b>	<b>66,080</b>
Additions	-	-	2	2	-	121
Disposals	-	-	(42)	(1)	-	(43)
Transfers	-	-	-	-	-	(1)
<b>At 31 December 2011</b>	<b>1,592</b>	<b>9,482</b>	<b>39,249</b>	<b>405</b>	<b>12</b>	<b>66,157</b>
<b>Accumulated depreciation</b>						
At 1 January 2010	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)
<b>At 31 December 2010 and 1 January 2011</b>	<b>11</b>	<b>4,504</b>	<b>8,354</b>	<b>353</b>	<b>8</b>	<b>13,230</b>
Depreciation charge for the year	4	151	1,766	18	2	1,941
Disposals	-	-	(42)	-	-	(42)
<b>At 31 December 2011</b>	<b>15</b>	<b>4,655</b>	<b>10,078</b>	<b>371</b>	<b>10</b>	<b>15,129</b>

## Consolidated 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
<i>Allowance for loss on impairment</i>							
At 1 January 2010	500	993	1,950	5	-	1,342	4,790
Additions	(171)	154	1,126	-	-	7,545	8,654
At 31 December 2010 and 1 January 2011	329	1,147	3,076	5	-	8,887	13,444
At 31 December 2011	329	1,147	3,076	5	-	8,887	13,444
<i>Net book value</i>							
At 1 January 2010	1,084	4,423	29,734	63	2	12,527	47,833
At 31 December 2010 and 1 January 2011	1,252	3,831	27,859	46	4	6,414	39,406
At 31 December 2011	1,248	3,680	26,095	29	2	6,530	37,584

**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
<b>Cost</b>							
At 1 January 2010	735	3,237	21,376	154	9	7,050	32,561
Additions	-	-	-	1	3	1,476	1,480
Disposals	-	-	(2)	(5)	(3)	-	(10)
<b>At 31 December 2010 and 1 January 2011</b>	<b>735</b>	<b>3,237</b>	<b>21,374</b>	<b>150</b>	<b>9</b>	<b>8,526</b>	<b>34,031</b>
Additions	-	-	-	-	-	116	116
Disposals	-	-	(42)	-	-	-	(42)
<b>At 31 December 2011</b>	<b>735</b>	<b>3,237</b>	<b>21,332</b>	<b>150</b>	<b>9</b>	<b>8,642</b>	<b>34,105</b>
<b>Accumulated depreciation</b>							
At 1 January 2010	-	908	4,280	136	7	-	5,331
Depreciation charge for the year	-	124	413	5	1	-	543
Disposals	-	-	(2)	(5)	(3)	-	(10)
<b>At 31 December 2010 and 1 January 2011</b>	<b>-</b>	<b>1,032</b>	<b>4,691</b>	<b>136</b>	<b>5</b>	<b>-</b>	<b>5,864</b>
Depreciation charge for the year	-	49	953	4	2	-	1,008
Disposals	-	-	(42)	-	-	-	(42)
<b>At 31 December 2011</b>	<b>-</b>	<b>1,081</b>	<b>5,602</b>	<b>140</b>	<b>7</b>	<b>-</b>	<b>6,830</b>

	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
<i>Allowance for loss on impairment</i>						Total
At 1 January 2010	306	950	1,868	5	-	798
Additions	-	121	817	-	-	4,966
At 31 December 2010 and 1 January 2011	306	1,071	2,685	5	-	5,764
At 31 December 2011	306	1,071	2,685	5	-	5,764
<i>Net book value</i>						
At 1 January 2010	429	1,379	15,228	13	2	6,252
At 31 December 2010 and 1 January 2011	429	1,134	13,998	9	4	2,762
At 31 December 2011	429	1,085	13,045	5	2	2,878
						23,303
						18,336
						17,444

The cost of the Group and the Company's fully depreciated property, plant and equipment that was still in use as at 31 December 2011 amounted to Baht 1,569 million and Baht 1,341 million, respectively (2010: Baht 1,164 million and Baht 977 million, respectively).

Refer to Note 18(i) and 18(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 2011 G J Steel's property, plant and equipment and construction in progress, with a net book value of Baht 13,350 million, were mortgaged under the rehabilitation plan. (2010: Baht 14,162 million).

On 19 July 2010, the G J Steel's Board of Directors approved G J Steel's mortgage transaction with the Provincial Electricity Authority in the amount of Baht 262 million. Under this mortgage, a portion of G J Steel's downstream processing machinery together with a portion of land with a net book value of Baht 739 million is mortgaged as security for G J Steel's long-overdue electricity expenses in an amount not exceeding Baht 262 million. On 22 February 2011, G J 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, G J Steel's Board of Directors approved G J Steel's mortgage transaction with the Revenue Department for the amount of Baht 539 million. Under this mortgage, a portion of G J Steel's downstream processing machinery with a net book value of Baht 1,250 million shall be mortgaged as security for G J 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:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Hot rolled coil expansion	1,552	1,552	1,552	1,552
Coil conditioning line	6,288	6,172	6,288	6,172
Galvanizing line	5,038	5,038	-	-
Reversing Mill line	1,525	1,525	-	-
Others	1,014	1,014	802	802
<b>Total</b>	<b>15,417</b>	<b>15,301</b>	<b>8,642</b>	<b>8,526</b>

#### ***Impairment evaluation***

##### **The Company and G J Steel**

###### *For the year 2010*

The Company's and G J 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 based on cash flow projections provided by the Company and G J 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% (*G J Steel: 15.15%*) applied to forecast cash flows based on Company-specific and G J Steel-specific, general macro-economic and comparable industry participant data
- The Company and G J 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 for further details of the Company’s and G J Steel’s status in respect of sourcing new funding or facilities.)

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 loss on impairment ( in million Baht)	Recorded in prior year	Loss on impairment in 2010
<b>The Company</b>					
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>
<b>G J Steel</b>					
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>
<b>Total</b>	<u>52,792</u>	<u>39,775</u>	<u>12,953</u>	<u>4,785</u>	<u>8,654</u>

*For the year 2011*

The Company and G J Steel's management evaluated a potential impairment of property, plant and equipment using same model as used in 2010. The analysis was based on assumptions consistent with those of 2010, including the assumption that the Company and G J Steel will have access to the required capital necessary to support its capital expenditure and working capital investments. The results of this analysis did not indicate any additional impairment in the carrying value of these assets as at 31 December 2011.

**16 Intangible assets**

	<b>Consolidated financial statements</b>			
	Software	Licence	Other	Total
	<i>(in million Baht)</i>			
<b>Cost</b>				
At 1 January 2010	297	41	1	339
Additions	34	-	-	34
Disposals	(103)	-	-	(103)
<b>At 31 December 2010 and 1 January 2011</b>	<b>228</b>	<b>41</b>	<b>1</b>	<b>270</b>
<b>At 31 December 2011</b>	<b>228</b>	<b>41</b>	<b>1</b>	<b>270</b>
<b>Accumulated amortisation</b>				
At 1 January 2010	225	20	1	246
Amortisation charge for the year	3	1	-	4
Impairment charge	(37)	-	-	(37)
<b>At 31 December 2010 and 1 January 2011</b>	<b>191</b>	<b>21</b>	<b>1</b>	<b>213</b>
Amortisation charge for the year	4	2	-	6
<b>At 31 December 2011</b>	<b>195</b>	<b>23</b>	<b>1</b>	<b>219</b>
<b>Net book value</b>				
At 1 January 2010	72	21	-	93
At 31 December 2010 and 1 January 2011	37	20	-	57
At 31 December 2011	33	18	-	51



	Separate financial statements Software (in million Baht)
<b>Cost</b>	
At 1 January 2010	48
Additions	17
Disposals	(48)
<b>At 31 December 2010 and 1 January 2011</b>	<b>17</b>
<b>At 31 December 2011</b>	<b>17</b>
<b>Accumulated amortisation</b>	
At 1 January 2010	17
Amortisation charge for the year	1
Disposals	(18)
<b>At 31 December 2010 and 1 January 2011</b>	<b>-</b>
Amortisation charge for the year	2
<b>At 31 December 2011</b>	<b>2</b>
<b>Net book value</b>	
At 1 January 2010	31
At 31 December 2010 and 1 January 2011	17
At 31 December 2011	15

## 17 Other non-current assets

		Consolidated financial statements		Separate financial statements	
	Note	2011	2010	2011	2010
		(in million Baht)			
Suspended construction in progress		2,086	2,086	-	-
Less allowance for impairment		(2,042)	(2,042)	-	-
		44	44	-	-
Deposit and advance to suppliers		202	310	-	108
Less allowance for impairment		(202)	(202)	-	-
		-	108	-	108
Promissory notes		143	143	-	-
Less allowance for doubtful accounts		(143)	(143)	-	-
		-	-	-	-
Deposit-related party	5	5	4	5	4
Other deposits		25	26	3	4
Deferred cost of rolls		217	248	104	112
Spare parts and equipment		-	1	-	1
Others		37	72	18	18
<b>Total</b>		<b>328</b>	<b>503</b>	<b>130</b>	<b>247</b>

Suspended construction in progress of G J Steel represents the Direct Reduced Iron plant (“DRI Facility”). The management of G J Steel decided to suspend this project in 1999. The carrying value of this investment was written down to its independently appraised forced sale value of Baht 44 million as at 31 December 2009.

As at 31 December 2011 and 2010, promissory notes issued by closed finance companies were pledged as collateral for loans of certain related parties from those closed finance companies. G J Steel has fully provided provisioned for these promissory notes due to concerns about the financial position of the related parties.

## 18 Interest-bearing liabilities

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
<b>Current</b>				
Short-term loans from financial institutions (unsecured)	195	201	195	201
Trade account payable (secured)	4,580	2,528	3,268	2,528
Trade account payable (unsecured)	8,372	6,851	5,974	4,353
Advance received from customer	-	1,584	-	1,584
Loan from shareholder	-	405	-	-
Short-term loans from other parties (secured)	15	398	15	398
Short-term loan from other parties (unsecured)	141	259	-	120
	<u>156</u>	<u>657</u>	<u>15</u>	<u>518</u>
Current portion of long-term loan from financial institutions (secured)	1,447	1,377	-	-
Bonds (unsecured)	1,095	372	1,095	372
Other current liabilities (Short-term loans from related parties) (unsecured)	-	-	1	1
	<u>15,845</u>	<u>13,975</u>	<u>10,548</u>	<u>9,557</u>
<b>Non-current</b>				
Bonds (unsecured)	-	670	-	670
Finance lease liabilities	1	1	1	1
	<u>1</u>	<u>671</u>	<u>1</u>	<u>671</u>
<b>Total</b>	<u>15,846</u>	<u>14,646</u>	<u>10,549</u>	<u>10,228</u>

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Within one year	15,845	13,975	10,548	9,557
After one year but within five years	1	671	1	671
<b>Total</b>	<u>15,846</u>	<u>14,646</u>	<u>10,549</u>	<u>10,228</u>

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

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<i>Note</i>	2011	2010	2011	2010
		<i>(in million Baht)</i>			
Warrants	13	56	56	15	15
Trade account receivables		-	897	-	897
Investments in subsidiary	13	4,927	4,927	1,179	1,179
Inventories	9	3,923	1,977	2,401	1,820
<b>Total</b>		<b>8,906</b>	<b>7,857</b>	<b>3,595</b>	<b>3,911</b>

#### *Short-term loans from financial institutions*

As at 31 December 2011, the Company had short-term loans from financial institutions, representing liabilities under trust receipts, which bear interest at from 8.25 % to 15 % per annum. (2010: 8.25% to 15% per annum).

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

### **The Company**

#### *Loan from an overseas company*

As at 31 December 2010, the Company had an outstanding principal balance of Baht 383 million (USD 12.6 million) on a loan (the “Overseas Loan”) from an overseas company, which bears interest at 9% per annum together with arrangement fee of 16% per annum (including penalty rate). 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.

During the year 2011, the provider of the Overseas Loan has reached an agreement with the Company to convert its debt claim to equity in the Company. 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. (Refer to Note 1.2 and Note 27) On 1 November 2011, the Company converted the outstanding Overseas Loan plus accrued interest and fee into 546,862,275 ordinary shares with a par value of Baht 1 each.

As a result of the debt-to-equity conversion scheme as described above, the Company has recorded a gain from debt restructuring of Baht 350 million arising from the difference in carrying amount of the loan and fair value of the shares, detailed as follows.

	<b>Consolidated and Separate financial statements</b>
	2011
	<i>(in million Baht)</i>
Carrying value of the debt obligation before debt-to-equity conversion	
- Loan from an overseas company	389
- Accrued interest and fee expenses (including withholding tax)	158
<b>Total</b>	<b>547</b>
Less Fair value of shares issued	(197)
<b>Gain from debt restructuring</b>	<b>350</b>

### *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 detailed in Note 8, the provider of the Domestic Loan and one of the Non-Performing Customers have entered into an agreement with the Company during the year that the Domestic Loan has been retired via the offset of a portion of the receivables due from the Non-Performing Customer against the Domestic Loan balance.

### *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 annum. This loan has a one-year bullet maturity. Under the terms of this loan, the Company pledged 500 million units of its G J Steel second tranche of warrants (“G J 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 8) against which the Company can pledge an equivalent value of shares it holds in G J 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 2011 and 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 2011, 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 2,428 million (2010: Baht 2,747million). 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 G J 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 statement of financial position 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 the Company to enter into a working capital facility of up to USD 20 million against which the Company can pledge up to 5,000 million G J Steel shares. As of 31 December 2011 and 2010, no agreement had 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 amount owed to Supporting Customer 2 (Advance Payments plus Accounts Payable less Accounts Receivable) as of 31 December 2011 was Baht 322 million (2010: Baht 469 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 statement of financial position as Construction in Progress, in Supporting Customer 2's favour.

## **G J Steel**

Short-term loans from other parties are unsecured and bear interest (including other fees) at 6.0% to 30.0% per annum in 2011 (2010: 2.5% to 9% 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 G J 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 G J 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 3 January 2011 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 G J 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.

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 statement of financial position as at 31 December 2010 and has a prevailing balance of Baht 405 million. Refer to Note 1.2 for an update concerning the Loan from shareholder and the Pledgor's Property. For reasons outlined in Note 1.2, the Company presented Loan from shareholder as a current liability on the Company's statement of financial position during the year ended 31 December 2011.

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 above, this payment was made via OAC's permitted sale of 2,200 million shares of G J Steel (or 5.54% of G J Steel's issued ordinary share capital) on 12 May 2010. Following completion of the aforementioned sale, OAC's holding in G J Steel reduced from 27.22% to 21.68%, and the direct and indirect holding of the Company in G J 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).

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. The loan is currently classified as a current liability in the Group's consolidated statement of financial position. As at 31 December 2011, the Lenders have not sent a default notice under the Standstill Agreement. The Lenders have, however, sent OAC a notice indicating their rights to reinstate all amendment fees during the standstill period previously waived by 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 G J Steel Second Warrants, OAC provided its G J Steel Second Warrants as further collateral for the Lenders pursuant to the loan agreement with the Lenders.

Refer to Note 46, the Lenders had additionally enforced the Company's shareholders share pledges which had been provided to give additional collateral support for the loan to OAC.



## Bonds

As at 31 December 2011 and 2010, the Company had the following bonds in issue (the “Bonds”):

	<b>Consolidated and Separate financial statements</b>	
	2011	2010
	<i>(in million Baht)</i>	
Balance - beginning of the year	1,042	5,669
Effect of exchange rate	53	(555)
Amortisation of premium on face value	-	4
Amortisation of deferred bonds management fee	-	25
Debt reduction	-	(1,561)
Conversion of bonds to equity	-	(2,540)
Balance - end of the year	1,095	1,042
<i>Less</i> Current portion of bonds included under the	(1,095)	(372)
<b>Total of bonds - net of current portion</b>	<b>-</b>	<b>670</b>

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.

## 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 18);
- 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 27 related to the allocation of the Company's shares to the Bondholders and financial advisors.

As a result of the Bond restructuring, the Company has recorded a gain from debt restructuring of Baht 3,187 million detailed as follows.

	<b>Consolidated and Separate financial statements 2010 (in million Baht)</b>
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 Fair value of shares issued	(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>
<b>Gain from debt restructuring</b>	<b><u>3,187</u></b>

On 8 June 2011 The Company formally launched a purchase offer in respect of its outstanding bonds of USD 34 million, with 3% per annum interest charge, due in 2015 and has accordingly distributed of a Purchase Offer Memorandum to all eligible holders of the Notes. Under the terms of the Purchase Offer, the Company is offering to purchase for cash all of its outstanding Notes, subject to the terms and conditions set out in the Purchase Offer Memorandum. Under the terms of the Purchase Offer, the purchase consideration is USD 0.70 in exchange for every USD1.00 outstanding principal amount of the Notes validly tendered. The Purchase Offer expired on 29 July 2011. Currently, the Company is in process for the conclusion of the acceptances of the Purchase Offer that have been validly received from the tender agent and the Company's Board of Directors meeting approved to extend the Purchase Offer to 30 April 2012.

Refer to note 46, on 9 January 2012, 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 134 million (USD 4 million) which fell due on 30 December 2011. The Company was unable to make such payment due to its constrained liquidity position. Accordingly, the Company reclassified the total outstanding Bonds as at 31 December 2011 as a current liability on the Company's consolidated and separate statements of financial position.

#### *Currency denomination of interest-bearing liabilities*

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Thai Baht (THB)	1,097	976	48	176
United States Dollars (USD)	14,749	13,670	10,501	10,052
<b>Total</b>	<b><u>15,846</u></b>	<b><u>14,646</u></b>	<b><u>10,549</u></b>	<b><u>10,228</u></b>

## 19 Trade accounts payable

		Consolidated financial statements		Separate financial statements	
	Note	2011	2010	2011	2010
		<i>(in million Baht)</i>			
<b>Current</b>					
Related parties	5	68	59	84	59
Business alliances	6	24	9	10	9
Other parties		14,435	10,766	9,983	7,748
<b>Total</b>		<b>14,527</b>	<b>10,834</b>	<b>10,077</b>	<b>7,816</b>

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

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Thai Baht (THB)	1,653	1,034	291	316
United States Dollars (USD)	12,750	9,702	9,692	7,404
Others	124	98	94	96
<b>Total</b>	<b>14,527</b>	<b>10,834</b>	<b>10,077</b>	<b>7,816</b>

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 totaling Baht 626 million as at 31 December 2011. The Company has to pay interest from 4 % to 6 % per annum and at LIBOR + 1% 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. (2010: Baht 2,847 million, interest rate at LIBOR+1% to LIBOR+1.5% per annum)

As at 31 December 2010, the Company had outstanding balance due to overseas suppliers of Baht 1,506 million (USD 50 million) bearing interest at 4.75%-9.75% per annum, LIBOR + 4.5% per annum and penalty charge 15% per annum.

G J Steel has agreements to purchase raw materials from various overseas suppliers. G J Steel had taken delivery of raw materials under consignment agreements totaling Baht 2,398 million as at 31 December 2011 and pays interest from 1 % to 6.45% per annum on the payables balance (31 December 2010: Baht 2,498 million, interest rate at 2% to 12% per annum).

Refer to Note 1.2 for details of trade creditor restructuring of the Company and G J Steel.

## 20 Other payables and accrued expenses

		Consolidated financial statements		Separate financial statements	
	Note	2011	2010	2011	2010
		<i>(in million Baht)</i>			
Related parties	5	4	103	3	101
Business alliances	6	75	98	36	55
Other parties		2,673	1,619	1,368	525
<b>Total</b>		<b>2,752</b>	<b>1,820</b>	<b>1,407</b>	<b>681</b>

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

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Thai Baht (THB)	1,908	1,368	1,181	502
United States Dollars (USD)	825	442	216	179
Others	19	10	10	-
<b>Total</b>	<b>2,752</b>	<b>1,820</b>	<b>1,407</b>	<b>681</b>

Refer to Note 1.2 for details of trade creditor restructuring with the End-Use Customers.

## 21 Advances received from customers

		Consolidated financial statements		Separate financial statements	
	Note	2011	2010	2011	2010
		<i>( in million Baht)</i>			
Related parties	5	202	314	50	57
Other parties		785	3,277	416	2,126
<b>Total</b>		<b>987</b>	<b>3,591</b>	<b>466</b>	<b>2,183</b>

The currency denomination of advances received from customers as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>( in million Baht)</i>			
Thai Baht (THB)	987	2,007	466	599
United States Dollars (USD)	-	1,584	-	1,584
<b>Total</b>	<b>987</b>	<b>3,591</b>	<b>466</b>	<b>2,183</b>

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). Refer to Note 1.2 for details of trade creditor restructuring.

## 22 Accrued interest expenses

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>( in million Baht )</i>			
Bonds	134	121	134	121
Consigned inventories	1,213	1,005	750	666
Financial institutions	858	410	2	-
Others	927	898	715	852
<b>Total</b>	<b>3,132</b>	<b>2,434</b>	<b>1,602</b>	<b>1,639</b>

The currency denomination of accrued interest expenses as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>( in million Baht )</i>			
Thai Baht (THB)	267	34	5	15
United States Dollars (USD)	2,865	2,400	1,597	1,624
<b>Total</b>	<b>3,132</b>	<b>2,434</b>	<b>1,602</b>	<b>1,639</b>

## 23 Provisions

	Consolidated financial statements				
	Purchase orders for undelivered raw material (see Note 43.3)	Purchase of inferior raw material	Termination contracts	Performance guarantees	Tax- related provision
					Total
<b>At 1 January 2010</b>	<b>476</b>	<b>-</b>	<b>-</b>	<b>620</b>	<b>1,977</b>
Provisions made	-	100	289	58	1,270
Provisions reversed	(350)	-	-	-	(350)
<b>At 31 December 2010 and 1 January 2011</b>	<b>126</b>	<b>100</b>	<b>289</b>	<b>678</b>	<b>2,897</b>
Provisions made	146	-	-	-	493
Provisions paid	-	-	-	-	(29)
Provisions reversed	(63)	-	(61)	-	(171)
Provisions transferred	-	(100)	(165)	(678)	(961)
<b>At 31 December 2011</b>	<b>209</b>	<b>-</b>	<b>63</b>	<b>-</b>	<b>2,229</b>
<b>At 31 December 2010 and 1 January 2011</b>	<b>126</b>	<b>100</b>	<b>289</b>	<b>678</b>	<b>2,897</b>
Current					
<b>At 31 December 2011</b>	<b>209</b>	<b>-</b>	<b>63</b>	<b>-</b>	<b>2,229</b>
Current					

	Separate financial statements			
	Purchase orders for undelivered raw material (see Note 43.3)	Termination contracts	Tax- related provision	Total
	<i>(in million Baht)</i>			
<b>At 1 January 2010</b>	<b>348</b>	<b>-</b>	<b>536</b>	<b>884</b>
Provisions made	-	289	351	640
Provisions reversed	(222)	-	-	(222)
<b>At 31 December 2010 and 1 January 2011</b>	<b>126</b>	<b>289</b>	<b>887</b>	<b>1,302</b>
Provisions made	-	-	209	209
Provisions reversed	(63)	(61)	-	(124)
Provisions transferred	-	(165)	-	(165)
<b>At 31 December 2011</b>	<b>63</b>	<b>63</b>	<b>1,096</b>	<b>1,222</b>
<b>At 31 December 2010 and 1 January 2011</b>				
Current	<b>126</b>	<b>289</b>	<b>887</b>	<b>1,302</b>
<b>At 31 December 2011</b>				
Current	<b>63</b>	<b>63</b>	<b>1,096</b>	<b>1,222</b>

***Provision for loss on contract termination***

In 2011, the Company entered into an agreement with one equipment supplier who was contracted to sell equipment for the Company's hot-rolled coil expansion project. This supplier had originally claimed USD 10.8 million of termination costs. 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.

Additionally, the Company has executed memorandums of understanding ("MOUs") with five other equipment suppliers who were contracted to provide the Company with various equipment components under its expansion and downstream projects. These MOUs outline agreements between the Company and the suppliers with respect to the termination of their contracts.

In 2010 a provision amounting to Baht 289 million was recognized regarding the Company's obligations which would arise from the termination of various agreements to purchase machinery.

Refer to note 14, the Company entered into the debt restructuring with various machinery suppliers to restructure obligation with such suppliers. Therefore, in 2011, the Company reversed provision of Baht 61 million and transferred provision of Baht 165 million from "Provisions" to "Other payable and accrued expenses" of Baht 155 million and offsetting against Receivables from scrap sales of Baht 10 million.

### ***Provision for loss on purchase of inferior raw material***

In January 2010, G J Steel received scrap from an overseas supplier. G J Steel appointed an independent surveyor to determine the impurity levels and found them to be significant. As at 31 December 2010, G J Steel had made full provision against these scrap inventories amounting to Baht 100 million. The total amount of the claim G J 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 1.2). On 1 March 2011, G J Steel resolved the aforementioned supply claim in conjunction with the supplier's End Use Customer claim. Refer to Note 1.2 for details of G J Steel Performance Guarantee Settlement.

### ***Provision for losses related to performance guarantees***

G J 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 G J Steel's management during 2010, G J Steel decided to retrospectively record provisional charges related to these potential claims and restate its financial statements to show the impact of recording these provisional charges during the historical period in which these provisional charges should have been recorded.

The potential claims stem from a commercial decision made by G J Steel just prior to the market turmoil and downturn stemming from the late 2008 global financial crisis. During this period, the G J Steel was approached by an intermediary retailer of hot-rolled coils (the "Intermediary") with whom G J 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 from G J Steel at an increased price due to the extended credit terms delivery guarantee offered by G J 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. G J 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 G J 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 G J Steel. As such, G J Steel has recorded the provisional charges associated with these principal claims as illustrated in the above table. The claims also include provisional interest charges recorded in the periods in which they are assessed. G J Steel may face a claim from the Company in relation to a USD 3.1 million (Baht 104 million) offset which took place between the Company and one of the End-Use Customers.

Refer to Note 1.2 Restructuring Debt of Major Trade Creditors with End-Use Customers. During 2011, the Company has transferred the total amount of provision of performance guarantee to be the liabilities with Major Trade Creditors.

### ***Provision for taxes***

The Company, OAC and G J Steel has discovered that they have under-recorded certain of their tax-related obligations. The Company, OAC and G J Steel have commenced formal discussions to remedy these errors with the relevant tax authorities. The Group and the Company have recorded its corrected assessment of these tax obligations and has made assessments for potential penalties and surcharges.



## 24 Other current liabilities

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Tax-related liabilities	1,418	1,327	753	688
Machinery and construction payables	99	232	72	150
Others	11	7	11	5
<b>Total</b>	<b>1,528</b>	<b>1,566</b>	<b>836</b>	<b>843</b>

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

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Thai Baht (THB)	1,445	1,411	780	718
United States Dollars (USD)	81	150	56	125
Others	2	5	-	-
<b>Total</b>	<b>1,528</b>	<b>1,566</b>	<b>836</b>	<b>843</b>

## 25 Liabilities which were included under the rehabilitation plan

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Balance - beginning of the year	911	967	544	578
Less Repayment and adjust exchange rate during the year	(1)	(29)	(10)	(7)
Creditors forgiven debts after the rehabilitation plan	-	(27)	-	(27)
Balance - end of the year	910	911	534	544
Less Current portion of liabilities included under the rehabilitation plan	(394)	(381)	(18)	(14)
<b>Total liabilities which were included under the rehabilitation plan - net of current portion</b>	<b>516</b>	<b>530</b>	<b>516</b>	<b>530</b>

The currency denomination of liabilities which were included under the rehabilitation plan as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Thai Baht (THB)	797	803	534	544
United States Dollars (USD)	100	95	-	-
Others	13	13	-	-
<b>Total</b>	<b>910</b>	<b>911</b>	<b>534</b>	<b>544</b>

## 26 Employee benefit obligations

	Consolidated financial statements (in million Baht)	Separate financial statements
<b>Statement of financial position obligations as at 31 December 2011</b>		
Post-employment benefits	24	15
	<b>24</b>	<b>15</b>
<b>Year ended 31 December 2011</b>		
<b>Recognised in profit or loss:</b>		
<b>Statement of comprehensive income charge:</b>		
Post-employment benefits	24	15
	<b>24</b>	<b>15</b>

The Group adopted TAS 19 - Employee Benefits with effect from 1 January 2011; the effect on the financial statements is discussed in Note 3(f). As stated in Note 3(f), the Group has opted to recognise the transitional obligation as at 1 January 2011 through profit or loss on a straight-line basis over five years from 1 January 2011. Movement during the year on the provision for the unrecognized transactional obligation was as follows:

	Consolidated financial statements 2011 (in million Baht)	Separate financial statements 2011
Unrecognised transitional obligation as at 1 January	66	42
Recognised through profit or loss for the year	(13)	(8)
<b>Unrecognised transitional obligation as at 31 December</b>	<b>53</b>	<b>34</b>

### *Retirement benefit*

The Group operate defined benefit plans based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

The statement of financial position obligation was determined as follows:

	Consolidated financial statements 2011 (in million Baht)	Separate financial statements 2011
Present value of unfunded obligations	77	49
Unrecognised transitional obligation	(53)	(34)
<b>Statement of financial position obligation</b>	<b>24</b>	<b>15</b>

Movement in the present value of the defined benefit obligations:

	Consolidated financial statements (in million Baht)	Separate financial statements
<b>Year ended 31 December 2011</b>		
Defined benefit obligations at 1 January	66	42
Current service costs and interest	11	7
<b>Defined benefit obligations at 31 December</b>	<b>77</b>	<b>49</b>

Expense recognised in profit or loss:

	Consolidated financial statements (in million Baht)	Separate financial statements
<b>Year ended 31 December 2011</b>		
Transitional obligation recognised	13	8
Current service costs	8	5
Interest on obligation	3	2
<b>Total</b>	<b>24</b>	<b>15</b>

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

	Consolidated financial statements (in million Baht)	Separate financial statements
<b>Year ended 31 December 2011</b>		
Cost of sales and administrative expenses	24	15
<b>Total</b>	<b>24</b>	<b>15</b>

No actuarial gains and losses were recognised in other comprehensive income in the year ended 31 December 2011.

Principal actuarial assumptions at the reporting date:

	Consolidated financial statements 2011 (%)	Separate financial statements 2011
Discount rate	4.0-4.2 p.a.	4.0 p.a.
Future salary increases	3.0 - 7.0	3.0 - 7.0
Turnover	5.0 - 14.0	6.0 - 14.0

Assumptions regarding future mortality are based on published statistics and TMO 097 mortality tables. The assumed rate of price inflation has been assessed by reference to consumer price indicators. All participants are assumed to retire by age 55-60. For valuation purposes, participants are assumed to receive a lump sum payment from the plan.

## 27 Share capital

	<i>Par value per share (in Baht)</i>	2011 Number	Baht (million shares / million Baht)	2010 Number	Baht
<b>Authorised</b>					
At 1 January					
- ordinary shares	1.00	18,960	18,960	13,860	13,860
Reduction of shares	1.00	(2,478)	(2,478)	-	-
Increase of new shares	1.00	13,317	13,317	5,100	5,100
<b>At 31 December</b>					
- ordinary shares	1.00	<b>29,799</b>	<b>29,799</b>	<b>18,960</b>	<b>18,960</b>
<b>Issued and paid up</b>					
At 1 January					
- ordinary shares	1.00	16,481	16,481	13,760	13,760
Converted debt to equity	1.00	547	547	2,521	2,521
Increase of shares due to compensation of financial advisors	1.00	-	-	200	200
<b>At 31 December</b>					
- ordinary shares	1.00	<b>17,028</b>	<b>17,028</b>	<b>16,481</b>	<b>16,481</b>

### Issue of ordinary shares

#### Authorised

Refer to Note 1.3, on 15 August 2011, the Company's EGM passed the resolutions to approve a reduction of the authorised share capital in the amount of 2,478 million shares with a par value of Baht 1 per share and approved the increase of the authorised share capital of the Company in the amount of 13,317 million shares with the par value of Baht 1 per share. The Company has already registered the reduction and increase of the authorised share capital of the Company to the Ministry of Commerce on 1 September 2011.

On 29 September 2010, the Company's EGM No. 1/2553 passed the following resolutions.

1. Approval of 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. Approval of the amendment of clause 4 of the Company's Memorandum of Association to correspond to the changes in the Company's capital.
3. Approval of 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.

### ***Issued and paid up***

On 1 November 2011, the Company registered an increase in issued and paid-up share capital with the Ministry of Commerce by Baht 547 million comprising 547 million shares with par value of Baht 1 per share. For further details in the debt-to-equity conversion scheme, please refer to note 1.3 and 18. The exchange price was Baht 0.36 per share based on the market price of the Company's shares on 1 November 2011 (date of shares registration).

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 a par value of Baht 1 per share.

The allocation of shares issued was as (See Note 18) 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.

	<b>Share capital</b>	<b>Share discount</b>
	<i>Debit/(Credit)</i>	
	<i>(in million Baht)</i>	
<b>2011</b>		
<b><i>Shares issued for conversion of debt to equity</i></b>		
At 1 November 2011		
<i>(Converted price of Baht 0.36 per share)</i>		
Principal amount under		
debt-to-equity conversion scheme	<u>(547)</u>	<u>350</u>
<b>2010</b>		
<b><i>Shares issued for conversion of debt to equity</i></b>		
At 9 December 2010		
<i>(Converted price of Baht 0.71 per share)</i>		
• Principal amount		
under the Bond Restructuring Program	(2,521)	731
<b><i>Shares issued to financial advisors</i></b>		
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
<b>Total</b>	<u>(2,721)</u>	<u>831</u>

**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)**

	<b>Consolidated and Separate financial statements</b>	
	2011	2010
	<i>(in million Baht)</i>	
Share premium (discount)		
At 1 January	1,145	1,976
Conversion of debt to equity	(350)	(731)
Compensation to financial advisors of the Bond Exchange Program	-	(100)
<b>At 31 December</b>	<b>795</b>	<b>1,145</b>

**28 Reserves****Appropriations of profit and/or retained earnings****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.

**29 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 2011, the warrant program has expired and therefore there are no further warrants outstanding (2010: 76 million warrants outstanding).

### 30 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 2011 and 2010 were as follows:

	<b>Consolidated financial statements</b>	
	2011	2010
	<i>(in million Baht)</i>	
<b>Segment revenue</b>		
Domestic	30,346	22,152
Export	179	752
<b>Total</b>	<b>30,525</b>	<b>22,904</b>
<b>Segment gross profit/(loss)</b>		
Domestic	(617)	(459)
Export	24	68
<b>Total</b>	<b>(593)</b>	<b>(391)</b>

### 31 Selling expenses

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
Packing expenses	4	4	-	-
Domestic shipping expenses	269	219	135	96
Export shipping expenses	7	56	-	-
<b>Total</b>	<b>280</b>	<b>279</b>	<b>135</b>	<b>96</b>

### 32 Administrative expenses

		Consolidated financial statements		Separate financial statements	
	Note	2011	2010	2011	2010
		(in million Baht)			
Consulting expense		56	161	43	145
Consulting fee for Bonds restructuring	18	-	90	-	90
Idle cost - depreciation and amortisation expenses	37	311	245	168	168
Idle cost - other		92	168	41	114
Depreciation and amortisation expenses	37	86	156	43	82
Loss from disposal of assets	37	-	69	-	30
Employee benefit expenses	37	402	316	175	121
Demurrage charges		16	17	-	-
Others		359	262	154	117
<b>Total</b>		<b>1,322</b>	<b>1,483</b>	<b>624</b>	<b>867</b>

### 33 Employee benefit expenses

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<i>(in million Baht)</i>				
<b>Management</b>				
Wages and salaries	73	63	45	38
Welfare	10	10	6	7
Contribution to provident fund	2	2	1	1
	<b>85</b>	<b>75</b>	<b>52</b>	<b>46</b>
<b>Other employees</b>				
Wages and salaries	544	461	255	195
Welfare	178	148	50	46
Contribution to provident fund	23	18	6	4
	<b>745</b>	<b>627</b>	<b>311</b>	<b>245</b>
<b>Total</b>	<b>830</b>	<b>702</b>	<b>363</b>	<b>291</b>

#### *Defined benefit plans*

Details of the defined benefit plans are given in note 26.

#### *Defined contribution plans*

The defined contribution plan comprises a provident fund established by the Group for its employees. Membership in the fund is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 2% to 10% of their basic salaries and by the Group at rates ranging from 3% to 10% of the employees' basic salaries. The provident fund is registered with the Ministry of Finance as a juristic entity and is managed by a licensed Fund Manager.



**34 (Reversal of) bad and doubtful debt expenses**

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<i>Note</i>	2011	2010	2011	2010
		<i>(in million Baht)</i>			
Amount receivable from related parties	5	-	1	468	(102)
Loans to and interest receivable from related parties	5	-	-	14	23
Trade account receivable	8	(539)	297	(519)	572
Receivables from scrap sales	10	(23)	(469)	(23)	(469)
Other current assets	11	(4)	38	(4)	38
<b>Total</b>		<b>(566)</b>	<b>(133)</b>	<b>(64)</b>	<b>62</b>

**35 (Reversal of) loss on impairment of assets**

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<i>Note</i>	2011	2010	2011	2010
		<i>(in million Baht)</i>			
Investment in subsidiaries	13	-	-	293	478
Advance payment for purchases of property, plant and equipment	14	(46)	2,613	(46)	2,601
Property, plant and equipment	15	-	8,654	-	5,904
<b>Total</b>		<b>(46)</b>	<b>11,267</b>	<b>247</b>	<b>8,983</b>

**36 Other expenses**

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<i>Note</i>	2011	2010	2011	2010
		<i>(in million Baht)</i>			
Loss on sale of scrap with soil		-	853	-	853
Loss on sale of pig iron		-	561	-	561
Loss on purchase of inferior raw material	23	-	100	-	-
Loss on sale of investment	13	-	613	-	-
Loss on contract termination	23	-	289	-	289
Provision for tax-related liabilities	23	300	823	210	351
<b>Total</b>		<b>300</b>	<b>3,239</b>	<b>210</b>	<b>2,054</b>

### *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 statements of comprehensive income and the accounts payable balance owed to the supplier.

## 37 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:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
<b><i>Included in cost of sales of goods:</i></b>				
Raw material and consumable used	25,874	19,656	11,310	7,448
Changes in inventories of finish goods	(982)	(914)	(1,139)	(817)
Depreciation and amortization	1,727	1,019	861	353
Employee benefit expenses	428	386	187	170
<b><i>Included in administrative expenses:</i></b>				
Depreciation and amortization (including in idle cost)	311	245	168	168
Depreciation and amortization	86	156	44	82
Employee benefit expenses	402	316	175	121
Operating lease expense	14	14	10	10
Loss from disposal of assets	-	69	-	30

## 38 Finance costs

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
<i>Note</i>	2011	2010	2011	2010
	<i>( in million Baht)</i>			
Finance costs:				
Bonds	8	580	8	580
Financial institutions	491	502	22	20
Other parties	454	1,170	184	858
<b>Total</b>	<b>953</b>	<b>2,252</b>	<b>214</b>	<b>1,458</b>

### 39 Income tax expense

The Group and the Company did not record income tax expense in the statement of comprehensive income because the Group and the Company incurred losses in the current year and had significant losses brought forward from the prior years.

#### *Income tax reduction - current*

Royal Decree No. 387 B.E. 2544 dated 5 September 2001 grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for taxable profit not exceeding Baht 300 million for the five consecutive accounting periods beginning on or after enactment. Listed companies that received income tax reduction under this Royal Decree are also eligible to continue the period of tax reduction under Royal Decree No. 475 but not beyond the 2010 accounting period ending on or after 31 December 2010.

Royal Decree No. 475 B.E. 2551 dated 6 August 2008 grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for taxable profit not exceeding Baht 300 million for the three consecutive accounting periods beginning on or after 1 January 2008.

### 40 Promotional privileges

By virtue of the provisions of the Industrial Investment Promotion Act of B.E. 2520, the Company and G J 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 G J Steel. The privileges granted include:

- (a) exemption from payment of import duty on machinery approved by the Board;
- (b) exemption from payment of income tax for certain operations for a period of eight years from the date on which the income is first derived from such operations;
- (c) a 100% reduction in the normal income tax rate on the net profit derived from certain operations for a period of five to eight years, commencing from the expiry date in (b) above; and
- (d) a deduction for a period of ten years of an amount equal to 5% of the increase in income of certain promoted operations over the income from those operations for the previous year.

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 G J Steel must comply with certain terms and conditions specified in the promotional certificates.

Summary of revenue from promoted and non-promoted businesses:

<b>Consolidated financial statements</b>					
	2011			2010	
	Promoted businesses	Non-Promoted businesses	Total	Promoted Businesses	Non-Promoted businesses
	<i>(in million Baht)</i>				
					Total
Export Sale	179	-	179	752	-
Domestic Sale	17,874	12,472	30,346	14,302	7,850
<b>Total Revenue</b>	<b>18,053</b>	<b>12,472</b>	<b>30,525</b>	<b>15,054</b>	<b>7,850</b>
					<b>22,904</b>

<b>Separate financial statements</b>					
	2011			2010	
	Promoted businesses	Non-Promoted businesses	Total	Promoted Businesses	Non-Promoted businesses
	<i>(in million Baht)</i>				
					Total
Export Sale	-	-	-	-	-
Domestic Sale	-	12,258	12,258	-	7,856
<b>Total Revenue</b>	<b>-</b>	<b>12,258</b>	<b>12,258</b>	<b>-</b>	<b>7,856</b>
					<b>7,856</b>

#### 41 Loss per share

##### *Basic loss per share*

The calculation of basic loss per share for the years ended 31 December 2011 and 2010 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:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2011	2010	2011	2010
	<i>(in million Baht / million shares)</i>			
<b>Loss for the year attributable to equity holders of the Company (basic)</b>	<b>(2,525)</b>	<b>(10,114)</b>	<b>(2,508)</b>	<b>(8,462)</b>
Number of ordinary shares outstanding at 1 January	16,482	13,760	16,482	13,760
Effect of shares issued on 9 December 2010	-	172	-	172
Effect of shares issued on 1 November 2011	91	-	91	-
<b>Weighted average number of ordinary shares outstanding (basic)</b>	<b>16,573</b>	<b>13,932</b>	<b>16,573</b>	<b>13,932</b>
<b>Loss per share (basic) (in Baht)</b>	<b>(0.15)</b>	<b>(0.73)</b>	<b>(0.15)</b>	<b>(0.61)</b>

Diluted loss per share for the period ended 31 December 2010 is not presented because the exercise price of the Company's warrants was higher than the market price of the Company's ordinary shares.

## 42 Financial instruments

As at 31 December 2011 and 2010, the Group had not entered into any derivative contracts to hedge its exposure to foreign currency exchange risk.

### *Financial risk management policies*

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

### *Capital management*

The Board's intention is to return to a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board is presently seeking additional capital investment in order to secure the ongoing viability of the Group and the Company.

### *Interest rate risk*

Interest rate risk is the uncertainty in value of financial assets and liabilities or net interest income as a result of the fluctuation of the market interest rate. Most of the interest rates of financial assets and liabilities of the Group and the Company are floating rates, which are based on market rates.

The effective interest rates of financial assets and financial liabilities as at 31 December and the periods to maturity or re-pricing were as follows:

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
<b>2011</b>					
<i>Financial assets :</i>					
Cash and cash equivalents	0.75 - 2.6	91	-	-	91
Current investment	1.0 - 1.85	7	-	-	7
Restricted deposits at financial institutions	1.0 - 3.25	-	201	-	201
		<b>98</b>	<b>201</b>	-	<b>299</b>
<i>Financial liabilities:</i>					
Short term loans from financial institutions	15.5	195	-	-	195
Short-term loans from other parties	6.0 - 30.0	156	-	-	156
Current-portion of long-term loan from financial institutions	SIBOR + MARGIN	1,447	-	-	1,447
Bonds	3.0	1,095	-	-	1,095
Trade accounts payable	LIBOR+1 and 1.0 - 15.0	12,952	-	-	12,952
<b>Total</b>		<b>15,845</b>	<b>-</b>	<b>-</b>	<b>15,845</b>

	Effective Interest rate (% per annum)	Within 1 year	After 1 year but within 5 years (in million Baht)	After 5 years	Total
<b>2010</b>					
<i>Financial assets :</i>					
Cash and cash equivalents	0.2 - 1.25	75	-	-	75
Trade accounts receivable	4.0	296	-	-	296
Current investment	0.65 - 1.25	5	-	-	5
Restricted deposits at financial institutions	0.75 - 2.5	3	201	-	204
		<b>379</b>	<b>201</b>	<b>-</b>	<b>580</b>
<i>Financial liabilities:</i>					
Short term loans from financial institutions	8.25 - 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	3.0	372	670	-	1,042
Trade accounts payable	LIBOR+1-1.5 and 4.65 - 24.5	9,379	-	-	9,379
Advance received from customers	10.0	1,584	-	-	1,584
<b>Total</b>		<b>13,570</b>	<b>670</b>	<b>-</b>	<b>14,240</b>

#### 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
<b>2011</b>					
<i>Financial assets :</i>					
Cash and cash equivalents	0.10 - 0.75	58	-	-	58
Restricted deposits at financial institutions	3.25	-	24	-	24
Receivable from related party for offsetting transaction	MLR+1	946	-	-	946
<b>Total</b>		<b>1,004</b>	<b>24</b>	<b>-</b>	<b>1,028</b>
<i>Financial liabilities :</i>					
Short-term loans from financial institutions	15.5	195	-	-	195
Short-term loans from other parties	15.0	15	-	-	15
Bonds	3.0	1,095	-	-	1,095
Trade accounts payable	LIBOR+1 and 1.0 - 15.0	9,242	-	-	9,242
<b>Total</b>		<b>10,547</b>	<b>-</b>	<b>-</b>	<b>10,547</b>

		Separate financial statements			
	Effective Interest rate	Within 1 year	After 1 year but within 5 years	After 5 years	Total
	(% per annum)		(in million Baht)		
2010					
Financial assets :					
Cash and cash equivalents	0.5 - 1.3	18	-	-	18
Trade accounts 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
Financial liabilities :					
Short-term loans from financial institutions	8.25 - 15.5	201	-	-	201
Short-term loans from other parties	7.0 - 25.0	518	-	-	518
Bonds	3.0	372	670	-	1,042
Trade accounts payable	LIBOR+1-1.5 and 4.65 - 24.5	6,882	-	-	6,882
Advance received from customers	10.0	1,584	-	-	1,584
Total		9,557	670	-	10,227

#### *Foreign currency risk*

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies.

At 31 December, the Group was exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

		Consolidated financial statements		Separate financial statements	
	Note	2011	2010	2011	2010
		( in million Baht)			
<b>United States Dollars</b>					
Cash and cash equivalents	7	14	13	4	4
Trade accounts receivable	8	14	107	98	93
Other current assets	11	126	266	20	66
Restricted deposit at financial institutions	12	-	2	-	2
Short-term loans from financial institution		(169)	(161)	(169)	(161)
Short-term loans from other parties		(127)	(412)	-	(383)
Current portion of long term loan from financial institutions		(1,447)	(1,377)	-	-
Bonds		(1,095)	(1,041)	(1,095)	(1,041)
Trade accounts payable	19	(12,750)	(9,702)	(9,692)	(7,404)
Advance received from customers	21	-	(1,584)	-	(1,584)
Other payables and accrued expenses	20	(825)	(442)	(216)	(179)
Accrued interest expenses	22	(2,865)	(2,400)	(1,597)	(1,624)
Provisions	23	-	(678)	-	-
Other current liabilities	24	(81)	(150)	(56)	(125)
Liabilities under rehabilitation plan	25	(100)	(95)	-	-
<b>Gross exposure in statements of financial position</b>		<b>(19,305)</b>	<b>(17,654)</b>	<b>(12,703)</b>	<b>(12,336)</b>
Estimated forecast purchases		(2,545)	(5,039)	(212)	(2,261)
<b>Gross exposure</b>		<b>(21,850)</b>	<b>(22,693)</b>	<b>(12,915)</b>	<b>(14,597)</b>
<b>Others</b>					
Other current assets	11	38	34	21	17
Trade accounts payable	19	(124)	(98)	(94)	(96)
Other payables and accrued expenses	20	(19)	(10)	(10)	-
Other current liabilities	24	(2)	(5)	-	-
Liabilities under rehabilitation plan	25	(13)	(13)	-	-
<b>Gross exposure in statements of financial position</b>		<b>(120)</b>	<b>(92)</b>	<b>(83)</b>	<b>(79)</b>
Estimated forecast purchases		(289)	(312)	-	(35)
<b>Gross exposure</b>		<b>(409)</b>	<b>(404)</b>	<b>(83)</b>	<b>(114)</b>



***Credit risk***

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

At the reporting date there were no significant concentrations of credit risk because the Group has ceased to give credit to customers (Refer to Note 8). The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

***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 1.3).

***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 statements of financial positions as at 31 December 2011 and 2010.

***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.

## 43 Commitments with non-related parties

### 43.1 Commitments

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
	<i>(in million Baht)</i>			
<b>Capital commitment</b>				
<i>Contracted but not provided for</i>				
Land	-	58	-	-
Buildings and other constructions	83	88	83	83
Machinery and equipment	175	345	175	270
<b>Total</b>	<b>258</b>	<b>491</b>	<b>258</b>	<b>353</b>
<b>Lease and service agreement commitments</b>				
Within one year	11	9	7	5
After one year but within five years	2	14	2	9
<b>Total</b>	<b>13</b>	<b>23</b>	<b>9</b>	<b>14</b>
<b>Other commitments</b>				
Bank guarantees	<b>439</b>	<b>488</b>	<b>262</b>	<b>295</b>

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. During the year ended 31 December 2011, 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 entered into memorandums of understanding ("MOUs") with 5 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.

As at 31 December 2011 and 2010, 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 18 for details of OAC's commitments under the Standstill Agreement with the Lenders.

## 43.2 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.

	Separate financial statements	
	2011	2010
	(in million Baht)	
<i>Long-term agreement commitments of the Company</i>		
Within one year	105	100
After one year but within five years	420	401
After five years	210	301
<b>Total</b>	<b>735</b>	<b>802</b>

- 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 19 August 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. The Company starts commercial using electricity from this supply company in January 2011.
- 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.

### G J Steel

- a) On 1 December 2003, G J 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, G J 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.

	<b>Consolidated financial statements</b>	
	2011	2010
	<i>(in million Baht)</i>	
<b><i>Long-term agreement commitments of G J Steel</i></b>		
Within one year	71	71
After one year but within five years	283	282
After five years	553	624
<b>Total</b>	<b>907</b>	<b>977</b>

### 43.3 *Raw material purchase orders*

#### *The Company*

As at 31 December 2011, the Company had outstanding purchase orders for raw materials that have not been delivered to the Company totaling Baht 677 million (2010: Baht 2,279 million).

The Company had agreements to purchase raw materials with various suppliers under consignment agreement under which the ownership of unreleased raw materials belongs to the suppliers. The Company has to pay interest at 4-6 % per annum on the unreleased raw materials from the boarding date on ship through the date on which the materials have been fully paid. (2010: LIBOR + 1% to LIBOR + 1.5% per annum)

#### *G J Steel*

As at 31 December 2011, G J Steel had outstanding purchase orders for raw materials that have not been delivered to G J Steel totalling Baht 2,102 million (2010: Baht 2,277 million).

G J Steel had agreements to purchase raw materials with various overseas suppliers under consignment agreements, under which the ownership of unreleased raw material belongs to the suppliers. G J Steel has to pay interest ranging from 1% to 6.45% per annum on the unreleased raw materials in addition to the payables balance (2010: 2% to 12% per annum)

### 43.4 *Customer advances*

As of 31 December 2011, the Company had received advances from customers totalling Baht 466 million (2010: Baht 2,183 million) and had the obligation to deliver goods to the customers in the future. G J Steel had received similar advances totalling Baht 560 million as at 31 December 2011 (2010: Baht 1,408 million).

As referenced in Note 1.2, the Company has entered into restructuring agreements with the Major Trade Creditors. One of the Company's Major Trade Creditors had previously made customer advances of Baht 1,584 million. As a result of the restructuring agreement with this Major Trade Creditor, this amount has been reclassified during the year ended 31 December 2011 to trade accounts payable.

### **43.5 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.

## **44 Litigation**

The Company and G J Steel had the following pending litigation:

### **44.1 The Company**

#### **a) Supplier complaint pending litigation**

In the past, two suppliers filed a complaint against the Company for breach of several agreements related to purchases and services in the amount of Baht 6.62 million together with interest at the rate of 7.5% per annum on the principal amount of Baht 7.15 million from the date of filing the complaint until the date of full repayment. Presently, a case compromises have been reached and confirmed by the Court and the Court ordered the Company to pay the outstanding amount amounting to Baht 0.68 million as at 31 December 2011.

#### **b) Arbitration case**

According to Case No. 50 192 T 00526 09, the claimant filed a complaint against the Company to the Arbitration of United States of America 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.

On 13 April 2011, the tribunal made its final award and ordered that Company pay the claimant the following sums:

1. Compensate the amount in total of USD 3.05 million
2. Interest total of USD 0.23 million
3. Legal costs of USD 0.04 million
4. Cost of the arbitration of USD 0.05 million

The Company recorded the total debt from such compensation under “Trade Accounts Payable” and “Other payables and accrued expenses” as at 31 December 2011 in total USD 3.37 million.

## 44.2 G J Steel

### a) *Suppliers complaint pending litigation*

In the past, three suppliers filed a complaint against G J Steel for breach of several agreements related to sales and purchases, rentals and services in the amount of Baht 11 million together with interest at the rate of 7.5% and 18 % per annum on the principal amount of Baht 8 million from the date of filing the complaint until the date of full repayment. Presently, in two cases compromises have been reached and confirmed by the Court and the Court ordered G J Steel to pay the outstanding amount together with further interest amounting to Baht 1.9 million as at 31 December 2011.

### b) *Central Intellectual Property and International Trade Court*

According to Black Case No. Kor. Kaw. 5/2548 dated 21 January 2005, G J 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"). G J Steel considers that the Defendant has breached the conditions of the Letter which caused damage to G J Steel. The Defendant had made payment to one of G J 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 G J Steel instructing the Defendant to withhold payment until all conditions were met. The Defendant deducted the value of the Letter from G J Steel's account. G J Steel did not receive the goods from the supplier. Therefore, G J 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 G J Steel. The Company does not agree with this decision, therefore, on 24 April 2009, G J Steel filed an appeal against the lower court's decision to the Supreme Court. G J Steel accounted for the charge made against G J Steel's account by the Defendant (Baht 202 million) within "Advance to Suppliers". A full provision was made against this balance during 2008.

### c) *South Bangkok Civil Court*

According to Black Case No. 1201/2553, on 5 July 2010, Sriracha Harbour PCL filed a complaint against G J Steel for the alleged breach of a services agreement and demanded damages of Baht 111 million including interest at the rate of 15% per annum. On 20 April 2011, G J Steel entered into a compromise agreement with Sriracha Harbour PCL and thus this case is no longer pending in the court. G J Steel provided for the remaining principal amount of Baht 60 million within "Trade Accounts Payable" as at 31 December 2011. (2010: Baht 84 million)

## 45 Contingent liabilities

On 8 June 2011 G J Steel received a letter from the Board of investment ("BOI") in which it is alleged that G J Steel failed to export sufficient quantities of its products in order to offset the imported raw materials on which duties were not assessed by the Customs Department under BOI privilege. In its 8 June 2011 letter, the BOI stated that G J Steel should pay the duties which were not assessed on the raw materials (as of the 1998 import date) and that the BOI is submitting the matter to the Customs Department for its consideration. The BOI claim stems from a period prior to the effective date of G J Steel's rehabilitation plan subsequently approved by the Central Bankruptcy Court.

G J Steel estimates that the total maximum exposure for such potential claims, should they arise from the Customs Department, is approximately Baht 216 million. To the extent that the Customs Department can demonstrate that such claim was submitted during the rehabilitation process in 1998, G J Steel will be liable to pay such duty. G J Steel has not provided for such potential claim as it has not received a claim assessment letter from the Customs Department and it believes such claim was not submitted during the 1998 rehabilitation process.

## 46 Events after the reporting date

### *Pledge enforcement of the Lenders*

The Company has been notified by the agent of the lenders of OAC's loan that they have enforced the sale of shares owned by the third parties which were pledged as a security for the overseas loan of OAC after 31 December 2011 and up to the date of this report, totaling 701 million shares or 4.12% of the registered share capital of the Company, for debt settlement of OAC. Prior to the enforcement of the Lenders, OAC had an outstanding debt around USD 45.46 million (not including interest and other fees).

### *Notice letters for an event of default from creditors*

During January 2012, four out of five major trade creditors have sent letters to the Company involving an event of default under the Compromise Agreements. According to the agreements, first payment was due on 1 January 2012. The creditors demand immediate payment.

During January 2012, G J Steel defaulted and received notice letters for an event of default from certain creditors which had claims totalling USD 23 million (Baht 724 million).

The Group and the Company are in the process of negotiations with these creditors to change and extend the payment schedule. The carrying amount of the payables has been reclassified as current liabilities in the statement of financial position as at 31 December 2011.

### *Notice letters for an event of default from Bond trustee*

On 9 January 2012, the Company received a letter from the Bonds trustee informing the Company of an event of default as the Company had failed to pay interest which fell due on 30 December 2011. The Company reclassified back to current liabilities in the statement of financial position as at 31 December 2011.

During 2011, the Company launched a tender offer to buy back the outstanding Bonds. The offer has been extended to, and will expire on, 30 April 2012 (see note 18).

### *Additional pledge*

On 28 February 2012, the Board of Directors approved the pledge of the Skin pass line in favour of one Supporting Customer, in exchange for a working capital facility of Baht 200 million. The Board of Directors also approved a pledge in favour of the Provincial Electricity Authority. Under this pledge, the Shearing line and the Slitting line are pledged as security for the Company's electricity usage for a maximum amount of Baht 250 million. As at the date of this report, the registration of both pledges has not been finalized.



#### 47 Thai Financial Reporting Standards (“TFRS”) not yet adopted

The Group has not adopted the following new and revised TFRS that have been issued as of the reporting date but are not yet effective. The new and revised TFRS are anticipated to become effective for annual financial periods beginning on or after 1 January in the year indicated.

TFRS	Topic	Year effective
TAS 12	Income Taxes	2013
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates	2013

Management expects to adopt and apply these new and revised TFRS in accordance with the FAP’s announcement and has made a preliminary assessment of the potential initial impact on the Group’s financial statements of those new and revised standards assessed to have the greatest potential impact on the financial statements in the period of initial application. These standards are as follows:

##### *TAS 12 - Income taxes*

The principal change introduced by TAS 12 is the requirement to account for deferred tax liabilities and assets in the financial statements. Deferred tax liabilities and assets are the amounts of income taxes payable and recoverable, respectively, in future periods in respect of temporary differences between the carrying amount of the liability or asset in the statement of financial position and the amount attributed to that liability or asset for tax purposes; and the carry forward of unused tax losses. Currently, the Group does not recognise deferred tax in the financial statements.

The Group will adopt TAS 12 with effect from 1 January 2013. The effects of the change will be recognised retrospectively in the financial statements and the statement of financial position as at 31 December 2011 will be adjusted accordingly.

Management has determined that the adoption of TAS 12 from 1 January 2013 will not have a significant impact on the Company’s reported assets, liabilities or retained earnings.

##### *TAS 21 (revised 2009) - The effects of changes in foreign exchange rates*

The principal change introduced by TAS 21 is the introduction of the concept of functional currency, which is defined as the currency of the primary economic environment in which the entity operates. TAS 21 requires the entity to determine its functional currency and translate foreign currency items into its functional currency, reporting the effects of such translation in accordance with the provisions of TAS 21. Foreign currencies are defined by TAS 21 as all currencies other than the entity’s functional currency.

Management has determined that the functional currency of the Group is Thai Baht. Accordingly, the adoption of TAS 21 from 1 January 2013 will not have a significant impact on the Group’s reported assets, liabilities or retained earnings.



## 48 Reclassification of accounts

Certain accounts in the 2010 financial statements have been reclassified to conform to the presentation in the 2011 financial statements as follows:

	2010					
	Consolidated financial statements			Separate financial statements		
	Before reclass.	Reclass.	After reclass. (in million Baht)	Before reclass.	Reclass.	After reclass.
<b><i>Statement of financial position as at 31 December 2010</i></b>						
Accrued expenses	1,408	(1,408)	-	269	(269)	-
Other payable and accrued expense	-	1,820	1,820	-	681	681
Other current liabilities	1,978	(412)	1,566	1,255	(412)	843
		<u>-</u>			<u>-</u>	
<b><i>Statement of comprehensive income for the year ended 31 December 2010</i></b>						
Administrative expenses	1,408	75	1,483	821	46	867
Management benefit	75	(75)	-	46	(46)	-
		<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.

# GLOBAL GROWTH GREEN





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