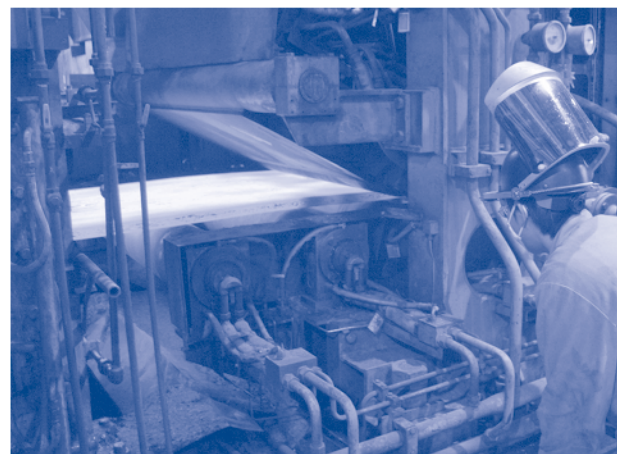


# Annual Report 2012



**GSteel**

G Steel Public Company Limited





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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 <a href="http://www.gsteel.com">http://www.gsteel.com</a>	
Website	31 October 1995	
Establishment Date	1 November 1999	
Production Commencement Date	Production and Distribution of Hot Rolled Coil and Slab	
Nature of Business	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	561 persons	
Registered Capital	54,573,625,657	Baht
Ordinary Shares	54,573,625,657	Shares
Par Value	1	Baht per share
Paid-up Capital	30,311,651,508	Baht
Paid-up Ordinary Shares	30,311,651,508	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 Phosamritlert,	Certified Public Accountant License No. 4068
	Mr. Bunyarit Thanormcharoen,	Certified Public Accountant License No. 7900
	KPMG Phoomchai Audit Limited 48 <sup>th</sup> Floor, Empire Tower, 195 South Sathorn Road, Bangkok 10120 Tel. 0-2677-2000 Fax. 0-2677-2222	

## Message from Chairman of the Board of Directors

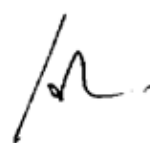
Steel industry holds a significant importance to the economic development of Thailand since steel is an essential raw material for several continuous industries playing a crucial role in the national economic expansion such as construction, automobile and electronic appliance industries. The outlook of these industries has direct influence on the domestic demand of steel. As for the steel industry, the domestic demand in 2013 is expected to increase due to the government's first-car policy which may have expired but resulted in a number of cars awaiting delivery, thereby contributing to the growth of the steel industry in 2013. The continued rise in domestic steel demand is also expected from the private sector and the government's 2 trillion Baht investment in the 7-year infrastructure projects, for the rail, water, and air transportation networks, such as double track railways and high speed trains.

The successful agreement with the creditors on debt restructuring comprising haircut, conversion of debt to equity and debt moratorium through the Debt-To-Equity Project and Bond Exchange Program No. 2 leading to the notable decrease in our liabilities. Also, we have acquired additional fund for working capital via Rights Offering of newly issued shares and GSTEL-W2 warrants to our existing shareholders. We are also in the process of applying for loans from banks and our business partners for raw materials purchase and seeking additional credit facilities from other resources so as for the optimum production capacity in short time.

In early 2013, we have appointed one of the world's leading management companies with the expertise in business rehabilitation counsel particularly for heavy industry to carry out the corporate turnaround to assist in improving management structure and debt restructuring as well as improved operating results timely under the good corporate governance. Furthermore, in conformity with the management restructuring, there have been changes and appointments of directors and the management team, e.g. the Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer and General Counsel.

The Board of Directors strongly believes that we will obtain new investment resources within this year and thus the operation efficiency, financial and business operations will improve shortly. Hence, in 2013, the united effort and perseverance from both executives and employees will be a vital step leading us towards the opportunity for a sustainable growth.

On behalf of the Board of Directors, I would like to express our sincere gratitude to the shareholders, clients, business partners and alliances for their enduring trust and support in our operations.



( General Lertrat Ratanavanich )

Chairman of the Board of Directors

## Chief CSR Report

With awareness of responsibility in good governance, G Steel Public Company Limited, 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 and 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 further knowledge, competency, and life experience. All these have always been G Steel's core policy.

In 2012 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.

With the dedication in CSR activities with quality and continuation, G Steel was granted by the government sector 5 CSR awards and certificates, namely, the Development of Industrial Productivity under the Industrial Sufficiency Economy Standard the Office of Industrial Economics, the Best Presentation of "The Optimization of Industrial Logistics Performance" from the Bureau of Logistics under the Department of Primary Industries and Mines in collaboration with the Technology Promotion Association (Thailand-Japan), the CSR-DPIM Award 2012 in Steel Industry from the Department of Primary Industries and Mines, the Green Mining Award 2012 from the Department of Primary Industries and Mines, the CSR-DIW Continuous Award from the Department of Industrial Works, and the CSR-DIW Award in Supply Chain from the Department of Industrial Works.

With continued determination under volunteer spirit and dedication to sustain the commitment both at executive and employee, G Steel Public Company Limited will go on as an organization running business responsibly to society, community, and environment.



(Khunying Patama Leeswadtrakul)

Chief CSR

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	2012		2011		2010	
		Income	%	Income	%	Income	%
Income from sales of Hot Rolled Coil	Domestic	13,011	81.5	30,346	95.3	22,152	74.6
	Overseas	96	0.6	179	0.6	752	2.5
	Total	13,107	82.1	30,525	95.9	22,904	77.1
Other Income		2,851	17.9	1,305	4.1	6,802	22.9
<b>Total Income</b>		<b>15,958</b>	<b>100</b>	<b>31,830</b>	<b>100</b>	<b>29,706</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 2012, 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.



## Overview of Hot Rolled Steel Sheet Industry in 2012

In 2012 worldwide steel industry as a whole was expanding a little from 2011, mainly as a result from some growth in Asia and recovery in Australia, while mild contraction was seen in other regions.

For Europe, economic downturn was ongoing, thus caused steel oversupply in the region in combination with oversupply from the major exporting countries, especially China and South Korea, of which export targets turned to the market of Southeast Asian countries in large scale. Thailand was included as a destination for such the steel oversupply influx hitting the domestic prices, but not as hard as in 2008, due to the country's highly growing demand in 2012 as consequence to Thailand's economic recovery after the severe floods, thus reconstruction in the affected areas, the government's stimulus policy on public and private spending helped boost household consumption, also increase improvements in factories and machines in various manufacturing industries, including those for export and for downstream, including for other steel fabrication industries.

Hot rolled coil price level in the domestic and neighboring markets were moving along a normal trend, where the latter half of 2012 saw a little lower price level than in the first half. Then from December, a stable trend has moved towards 2013, unlike fluctuation in the past years.

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 11.26 million tons in 2012 compared to 9.89 million tons in 2011 with a grow rate of 14.1% while the previous year saw only 5.3%. The composition of hot rolled steel (carbon Steel and alloy steel, excluding stainless steel) for direct use was 7.24 million tons, growing 13.4% from the previous year which was 6.38 million tons where the growth rate was only 0.8%, as a result of the country's quick recovery of construction sector and manufacturing industry throughout 2012.

Anyhow, the domestic hot rolled steel industry was impacted by market shares lost to not only the dumping, but also the imports of alloy-steel hot-rolled flats products in large scale, taken by abusing a loophole in the customs tariff causing a big impact and injury on the hot rolled steel goods produced by the domestic producers. The domestic producers, therefore, need timely help from the government through effective trade measures, so as to bring back the normal market mechanism and competition on a fair trade basis.



## Trend of Hot Rolled Steel Sheet Industry in 2013

Some government's infrastructure development projects were implemented in 2012 and being carried over into 2013. Also, the internal politics are still major concerns that determine a turning point between pull back or push forward the economic development and stimulation, while foreign direct investment and that in the stock exchange are as well actively stimulating liquidity as well as the commercial banks doing normal operations stably as mainstream of the country's economic structure.

Thailand's overall picture of economy is challenging, but not as difficult as the Euro Zone has faced since the past 2 years until today. For the private consumption, real sector drives, i.e. manufacturing industry and construction sector that need steel sheets as input materials, there should be a favorable trend in 2013, provided that the labor shortage problem not to become out of control. Small enterprises mostly must take some time to adapt themselves to the minimum wage increase and to control production costs so that a better outlook can be seen. Household consumption of durable goods tends to maintain at the same level as in 2012. Therefore, the overall demand for hot rolled steel flat products in 2013 tends to grow at a slower pace, but not so slow as in the previous year, due to very high consumption in 2012 with some normalized market situation.

However, the world and Thailand's steel and raw material prices are likely to swing in line with several uncontrollable factors, e.g. cost of raw material imported, changes in government's policy on energy tariff, promotion for construction sector and downstream industries that consume steel sheet as raw materials in production, international trade measures, etc.

For the problem resulted from boron and/or other substance added steel unfairly imported to Thailand with duty and tax invasion, it is under official investigation to determine safeguard measures, as mechanism for international trade that the Company is longing for so that it can soon withstand not only the competing alloy-steel goods that do not comply with the relevant industrial standards, but also the unfairly cut of the domestic prices and distortion of normal market mechanism. It is essential for the domestic hot rolled steel industry and the downstream that these factors should be looked into. Once the Company, a domestic producer, can compete fairly in the market, then will be able to raise capital, procure or borrow from financial institution so as for its revolving fund to bring further income and finally to bring operations back to normal, as well as the more favorable business performance.

# Report on 2012 Performance and Key Events

## Company's Performance

At the end of 2012 the Company and its subsidiaries had total assets accounting for Baht 38,055 million, total liabilities at Baht 24,037 million, and total shareholders' equity at Baht 14,018 million. Sales turnover for the whole year was Baht 15,958 million which increased from the previous year with net loss of Baht 5,806 million or Baht 0.23 loss per share.

## Key Events in 2012

**The increase of the Company's registered capital from Baht 17,028,557,473 to not more than Baht 48,004,743,297, by issuing not more than 30,976,185,824 ordinary shares, at the par value of Baht 1 to accommodate the debt restructuring program of the Company.**

On 30 April 2012 the Annual General Meeting of the Shareholders for the year 2012 had the resolutions as follows:-

1. Reduction of the Company's registered capital by 12,770,032,300 shares, at the par value of Baht 1 per share, from Baht 29,798,589,773 to Baht 17,028,557,473, by cancelling unissued shares.
2. Increase of the Company's registered capital from Baht 17,028,557,473 to not more than Baht 48,004,743,297, by issuing not more than 30,976,185,824 shares, at the par value of Baht 1 per share.
3. Allocation of the Company's newly issued ordinary shares, as follows:
  - 1) To allocate 9,000,000,000 newly issued ordinary shares, at the par value of Baht 1 per share, to the Company's creditors, pursuant to the debt-to-equity program, at the offering price of Baht 0.50 per share.
  - 2) To allocate not more than 4,800,000,000 newly issued ordinary shares, at the par value of Baht 1 per share, at the offering price of Baht 0.50 - 0.60 per share, totaling not more than Baht 2,880,000,000, to the shareholders of GS Notes Holdings and/or the Company's subsidiary (the subsidiary in which the Company holds 99.99% of the registered capital), provided that the shareholders of GS Notes Holdings and/or the Company's subsidiary will use such newly issued shares of GS Notes Holdings and/or the Company's subsidiary as consideration for the Company's newly issued shares, as a result, the payment made to the Company for the newly issued shares is represented by assets other than cash, so as to accommodate the debt restructuring program of the Company and the Company's group.
  - 3) To allocate not more than 1,200,000,000 newly issued ordinary shares, at the par value of Baht 1 per share, at the offering price of Baht 0.50-0.60, to the Company's financial advisor as consideration for the advice and expenses provided for the debt restructuring under the debt restructuring program of the Company and the Company's group, as well as the assistance rendered for new fund raising sources and other relevant matters.

- 4) To allocate 5,676,185,824 newly issued ordinary shares, at the par value of Baht 1 per share, in order to accommodate the exercise of right under the Warrants allocated to the Company's existing shareholders according to their proportion of shareholding (Rights Offering), at the exercise price of Baht 0.55 per share.
- 5) To allocate 10,300,000,000 newly issued ordinary shares, at the par value of Baht 1 per share, in order to accommodate the exercise of right under the Warrants allocated to the private placement, e.g. the new group of investors or lenders who agree to invest in or grant loans to the Company at the amount of not less than Baht 5,000 million, at the exercise price of Baht 0.43.

**The increase of the Company's registered capital from Baht 20,268,279,833 to Baht 54,573,625,657, by issuing not more than 34,305,345,824 ordinary shares, at the par value of Baht 1 per share to accommodate the debt restructuring program of the Company.**

On 6 August 2012 the Extraordinary General Meeting of the Shareholders No. 1/2012 had the resolutions as follows:-

1. Reduction of the Company's registered capital at the amount of 27,736,463,464 shares, with the par value of Baht 1 per share, from the existing registered capital of Baht 48,004,743,297 to Baht 20,268,279,833, by cancelling the Company's unissued shares.
2. Increase of the Company's registered capital from Baht 20,268,279,833 to Baht 54,573,625,657, by issuing not more than 34,305,345,824 ordinary shares, at the par value of Baht 1 per share.
3. Allocation of the Company's newly issued ordinary shares, as follows:
  - 1) To allocate not more than 10,500,000,000 newly issued ordinary shares, at the par value of Baht 1 per share, to the Company's creditors in accordance with the Debt to Equity Conversion Scheme, at the price of Baht 0.50 per share, under the private placement basis.
  - 2) To allocate not more than 1,719,160,000 newly issued ordinary shares, at the par value of Baht 1 per share, to not more than 50 shareholders of a subsidiary under the private placement basis, at the Bond Exchange Program No.2, provided that the shareholders of such subsidiary will use the subsidiary's newly issued shares as consideration for the Company's newly issued shares, as a result, the payment made to the Company for the newly issued shares is represented by assets other than cash, in order to accommodate the debt restructuring program of the Company and the Company's group.
  - 3) To allocate not more than 2,760,000,000 newly issued ordinary shares, at the par value of Baht 1 per share, at the price of Baht 0.50 per share, totaling not more than Baht 1,380 million, to not more than 50 shareholders of GS Securities Holdings Company Limited (a subsidiary in which the Company holds 99.99% of the registered capital), provided that the shareholders of GS Securities Holdings Company Limited will use the newly issued shares of GS Securities Holdings Company Limited as consideration for the Company's newly issued shares, as a result, the payment made to the Company for the newly issued shares is represented by

assets other than cash, in order to accommodate the debt restructuring program of the Company and the Company's group.

- 4) To allocate not more than 2,400,000,000 newly issued ordinary shares, under the general mandate basis, by offering shares to the Company's existing shareholders according to their proportion of shareholding (Rights Offering).
  - 5) To allocate not more than 1,110,000,000 newly issued ordinary shares, at the par value of Baht 1 per share, at the offering price of Baht 0.50 per share, to Brooker Group Public Company Limited and/or its affiliated companies ("Financial Advisor") in consideration for the advice provided for the debt restructuring and the raising of funds and/or procuring loans or facility and other relevant funds, provided that the Financial Advisor will use the newly issued ordinary shares of GS Securities Holdings Company Limited as consideration for the Company's newly issued shares, as a result, the payment made to the Company for the newly issued shares is represented by assets other than cash.
  - 6) To allocate not more than 240,000,000 newly issued ordinary shares, at the par value of Baht 1 per share, at the price of Baht 0.50 per share, to Brooker Group Public Company Limited and/or its affiliated companies ("Financial Advisor") in consideration for the advice provided in relation to the merger and acquisition, provided that the Financial Advisor will use the newly issued ordinary shares of GS Securities Holdings Company Limited or another subsidiary of the Company as consideration for the Company's newly issued shares, as a result, the payment made to the Company for the newly issued shares is represented by assets other than cash.
  - 7) To allocate not more than 5,676,185,824 newly issued ordinary shares, at the par value of Baht 1 per share, in order to accommodate the exercise of right under the Warrants issued to the Company's existing shareholders according to their proportion of shareholding (Rights Offering).
  - 8) To allocate not more than 2,400,000,000 newly issued ordinary shares, at the par value of Baht 1 per share, in order to accommodate the exercise of right under the Warrants issued and offered to the Company's shareholders subscribing for the newly issued ordinary shares offered to the existing shareholders according to their proportion of shareholding (Rights Offering) at the exercise price of Baht 0.55 per share.
  - 9) To allocate not more than 7,500,000,000 newly issued ordinary shares, at the par value of Baht 1 per share, in order to accommodate the exercise of right under the Warrants issued to the private placement, e.g. the group of investors who have agreed to invest in or grant loans a facility to the Company and the Company's group at an aggregate amount of not less than Baht 1,500 million at the exercise price of Baht 0.43 per share.
4. The Meeting approved the issuance and offering of the Warrants at the amount of not more than 2,400,000,000 units the Company's shareholders subscribing for the newly issued ordinary shares offered to the existing shareholders according to their proportion of shareholding (Rights Offering), at the exercise ration of 1 existing share : 1 unit of warrant, at the price of Baht 0.002 per unit and at the exercise price of Baht 0.55 per share.
  5. The Meeting approved the issuance of the Warrants in the amount of as the amount of not more than 7,500,000,000 units, to the private placement, e.g. the group of investors who have agreed to invest in or grant loans or facility to the Company and the Company's group at no change for an aggregate amount of not less than Baht 1, 500 million as the exercise price of Baht 0.43 per share.



## **Acknowledgement of the quality assessment on holding the Annual General Shareholders' Meeting for 2012 as "Excellent" from the SEC with joint evaluation of the Thai Investors Association.**

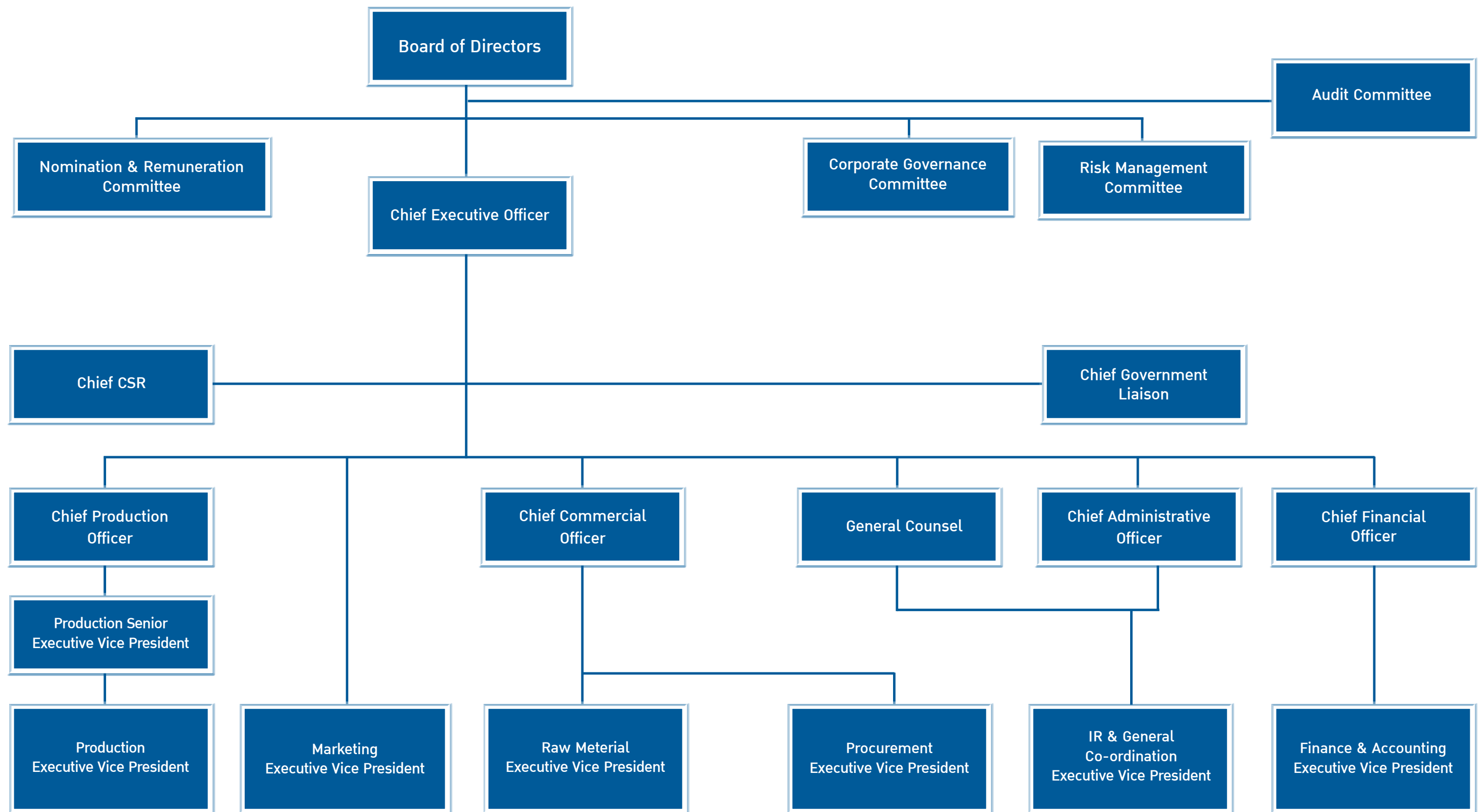
In October 2012 the Company acknowledged the result of quality assessment on holding the Annual General Shareholders' Meeting (AGM) for 2012 on 30 April 2012 at the score between 90-99 that was regarded as "Excellent" from the SEC with joint evaluation of the Thai Investors Association.

### **Receiving awards and certificates as follows:**

In the year 2012 the Company received awards and certificate as follows:

1. The Development of Industrial Productivity under the Industrial Sufficiency Economy Standard from the Office of Industrial Economics.
2. The Best Presentation of "The Optimization of Industrial Logistics Performance" from the Bureau of Logistics, Department of Primary Industries and Mines in collaboration with the Technology Promotion Association (Thailand-Japan).
3. The CSR-DPIM Award 2012 in Steel Industry from the Department of Primary Industries and Mines.
4. The Green Mining Award 2012 from the Department of Primary Industries and Mines.
5. The CSR-DIW Continuous Award from the Department of Industrial Works.
6. The CSR-DIW Award in Supply Chain from the Department of Industrial Works.

## 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
<b>1. General Lertrat Ratanavanich - Chairman</b>	65	-None-	<ul style="list-style-type: none"> <li>● BSCE, The Citadel, USA</li> <li>● MSCE, Massachusetts Institute of Technology, USA</li> <li>● MSSM, University of Southern California, USA</li> <li>● Honorary Doctorate (Development Administration) Maejo University</li> <li>● Honorary Doctor of Philosophy (Sustainable Energy and Environment Technology and Management), Rajamangala University of Technology Rattanakosin</li> <li>● Honorary Doctor of Philosophy (Public Administration), Eastern Asia University</li> </ul> <b>Training</b> <ul style="list-style-type: none"> <li>● Director Certification Program (DCP) (30/2003), The Role of Chairman Program (RCP) (1/2000), Financial for Non-Financial Director (FND) (1/2003), The Role of the Compensation Committee (RCC) (13/2011), Financial Statements for Directors (FSD) (13/2011), The Role of Chairman Program (RCP) (28/2012) Thailand Institute of Directors (IOD)</li> </ul>	-None-	<p><u>G Steel Public Company Limited</u></p> <p>Present Chairman of the Board of Directors</p> <p><u>Subsidiaries</u></p> <p>Present Chairman of the Board of Directors G J Steel Public Company Limited</p> <p><u>Others</u></p> <p>2003-Present Royal Bodyguard</p> <p>2005-Present Judiciary, Supreme Military Court</p> <p>2006-Present Honorary Vice President Amateur Athletics Association of Thailand under the Royal Patronage of H.M. the King</p> <p>2011-Present Director PTT Exploration and Production Public Company Limited</p> <p>2008-2011 Senator and Chairman Energy Standing Committee Senate of Thailand</p> <p>2012-Present Chairman Thailand Professional Qualification Institute (Public Organization)</p>

Name / Position	Age (years)	Relation ship	Education / Training	% of shares	Experience
<b>2. Dr. Somsak Leeswadtrakul</b> - Vice Chairman of the Board of Directors	60	Husband of Khunying Patama Leeswad- trakul	<ul style="list-style-type: none"> <li>● Wharton-NIDA Executive Leadership Program, University of Pennsylvania</li> <li>● Leadership Program, Capital Market Academy</li> <li>● The Program of Senior Executive in Criminal Justice Administration</li> <li>● Honorary Doctorate (General Administration) Ramkhamhaeng University</li> <li>● Honorary Doctorate in Administration, Kasetsart University</li> <li>● Doctor of Philosophy (Musicology) Mahidol 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>Subsidiaries</b> Present Vice Chairman of the Board of Directors G J Steel Public Company Limited <b>Others</b> (Present) <ul style="list-style-type: none"> <li>- Honorary President, Association of Thai Metal</li> <li>- Advisor, The Federation of Thai Industries</li> <li>- Board Member, Iron Steel Institute of Thailand</li> <li>- Director, Thailand Iron Works Public Company Limited</li> <li>- National Institute of Development Administration Council Member</li> <li>- Distinguished Member Ramkhamhaeng University</li> <li>- Council Member St. Louis College</li> <li>- Investment Policy Governance Committee Member, National Institute of Development And Administration (NIDA)</li> <li>- Audit Committee Member Ramkhamhaeng University</li> <li>- Etiquette Member Ramkhamhaeng University</li> <li>- Board of Directors Member World Vision Foundation of Thailand</li> <li>- Director Salesian Sisters Foundation of Thailand</li> </ul>
<b>3. Prof. Paichitr Rojanavanich</b> - Director - Chairman of the Audit Committee	84	-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),</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



Name / Position	Age (years)	Relation ship	Education / Training	% of shares	Experience
			Thammasat University • LL.B., Thammasat University • CPA-Thailand <u>Training</u> • Director Certification Program (DCP) and Audit Committee Program (ACP) Thailand Institute of Directors (IOD)		1999-Present Chairman of the Audit Committee Muramoto Electron (Thailand) Public Company Limited 1985-Present Chairman Karnjjan Company Limited
<b>4. Mr. Chainarong Monthienvichienchai</b> - Director - Audit Committee Member - Chairman of the Corporate Governance Committee	67	-None-	• M.A. (Management), Asian Institute of Management • B.A. (Business Administration), Chulalongkorn University <u>Training</u> • Director Accreditation Program (DAP) Thailand Institute of Directors (IOD)	0.005%	<u>G Steel Public Company Limited</u> Present Audit Committee Member and Chairman of the Corporate Governance Committee 2000-Present Director 2002-2012 Chairman of the Nomination Committee 2006-2010 Nomination Committee Member <u>Others</u> 1994-Present Director Saint John for Education Company Limited 2002-Present Director Arnoma Hotel Bangkok Company Limited 2007-Present Chairman of the Board of Trustees Saint John's University 1991-2007 Vice Chairman of the Board of Trustees, Saint John's University
<b>5. Mr. Teerapol Pussadet</b> - Director - Audit Committee Member - Chairman of the Nomination and Remuneration Committee	63	-None-	• MBA (Finance), Univ. of Detroit, Michigan, USA • B.A. (Accounting) Kasetsart University	-None-	<u>G Steel Public Company Limited</u> Present Director, Audit Committee Member and Chairman of the Nomination and Remuneration Committee <u>Others</u> Present Chairman of the Board of Directors Krung Thai Industries of Japan Present Board Advisory and Member Dhipaya Insurance Public Company Limited <u>Experience</u> - Chairman of the Audit Committee KT ZMICO Securities Company Limited - Director Dhipaya Insurance Public Company Limited

Name / Position	Age (years)	Relation ship	Education / Training	% of shares	Experience
					- Director Krung Thai Card Public Company Limited - Director Krungthai Land and House Service Co., Ltd. - Group Director Thai Identity Factory Co., Ltd. - Non-performing Asset Subcommittee Member (TAMC)
<b>6. Mr. Ivo Naumann</b> - Director	43	-None-	<ul style="list-style-type: none"> <li>● Master's Degree in Business Administration from the University of Trier, Germany</li> <li>● Business Administration and International Relations Study at Sophia University in Tokyo, Japan</li> <li>● Chinese Language at the Mandarin Training Center in Taipei, Taiwan</li> </ul>	-None-	<b>G Steel Public Company Limited</b> Present Director <u>Subsidiaries</u> Present Director G J Steel Public Company Limited <u>Others</u> 2007-Present Managing Director and head of China, AlixPartners Asia LLC, Shanghai 2003-2007 China Partner and China CFO, Roland Berger Strategy 2001-2003 Director, Charles Schwab & Co., Inc., San Francisco, USA
<b>7. Mr. Ryuzo Ogino</b> - Director	69	-None-	<ul style="list-style-type: none"> <li>● B. Econ., Keio University, Japan</li> </ul>	-None-	<b>G Steel Public Company Limited</b> 2005-Present Director 2010-2013 Chief Executive Officer 2004-2009 President <u>Subsidiaries</u> 2011-2012 Chairman of the Board of Directors G J Steel Public Company Limited <u>Others</u> 2000-2004 Director, Suncall Corporation 1965-2000 Director, Itochu Corporation
<b>8. Khuning Patama Leeswadtrakul</b> - Director - Chief CSR	49	Wife of Dr. Somsak Leeswad- trakul	<ul style="list-style-type: none"> <li>● Wharton-NIDA Executive Leadership Program, University of Pennsylvania</li> <li>● Leadership Program, Capital Market Academy</li> <li>● Honorary Doctor of Philosophy (Management) Lampang Rajabhat University</li> </ul>	5.18%	<b>G Steel Public Company Limited</b> Present Director and Chief CSR <u>Subsidiaries</u> Present Chief CSR G J Steel Public Company Limited <u>Others</u> (Present) - Director Arnoma Hotel Bangkok Company Limited - Chairperson, Homeland Loyalty Club

Name / Position	Age (years)	Relation ship	Education / Training	% of shares	Experience
			<ul style="list-style-type: none"> <li>Honorary Doctorate in General Administration, Ramkhamhaeng University</li> <li>Master of Science (Human Resources Development), University of Manchester, England</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>		<ul style="list-style-type: none"> <li>Director Ramathibodi Foundation under the Royal Patronage of HRH Princess Mahachakri Sirindhorn</li> <li>Chairperson St. Francis Xavier Alumni Association under the Royal Patronage of HM the Queen</li> <li>Honorary President Thailand Philharmonic Orchestra</li> <li>Advisory Board Chairperson Bangkok Opera Foundation</li> <li>Honorary President and Founder Thailand Choral Association</li> <li>Chairman of the Advisory Board, Badminton Association of Thailand under the Royal Patronage of H.M. the King</li> </ul>
<b>9. Mr. William Anthony Gloyne</b> - Director - Corporate Governance Committee Member - Chief Financial Officer	62	-None-	<ul style="list-style-type: none"> <li>Grammar School Education, England, UK</li> </ul>	-None-	<u>G Steel Public Company Limited</u> Present Director, Corporate Governance Committee Member and Chief Financial Officer <u>Subsidiaries</u> Present Director, Corporate Governance Committee Member and Chief Financial Officer G J Steel Public Company Limited <u>Others</u> 2007-2013 Director and Chief Financial Officer Bangkok Mass Transit System Public Company Limited 1998-2007 Independent Financial Consultant World Bank Group and Asian Development Bank
<b>10. Mr. Yanyong Kurovat</b> - Director - Corporate Governance Committee Member	74	-None-	<ul style="list-style-type: none"> <li>Class 5, National Defense Course for Joint Private and Public Sectors, National Defense College</li> </ul>	-None-	<u>G Steel Public Company Limited</u> Present Corporate Governance Committee Member 2009-Present Chairman of the Risk Management Committee 2004-Present Director

Name / Position	Age (years)	Relation ship	Education / Training	% of shares	Experience
- Chairman of the Risk Management Committee			<ul style="list-style-type: none"> <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) Thailand Institute of Directors (IOD)</li> </ul>		2006-2013 Nomination Committee Member <u>Others</u> 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 Concessionaries (Thailand) Company Limited 2000-Present Chairman of the Board of Director Academic Network Company Limited 1999-2011 Town and Country Planning Board Member Ministry of Interior 2003-2007 Chairman, General Election Committee, Pathumthani province 1996-2000 Director, Bangkok Mass Transit Authority (BMTA)
<b>11. Mr. Flemming Jensen</b> - Director - Chief Commercial Officer	66	-None-	<ul style="list-style-type: none"> <li>Bachelor of Science in International Trade and Logistics-Handelshojkolen Koebenhavn, Denmark</li> <li>Internship: Dan Transport A/S, Copenhagen</li> <li>International Shipping, Logistics and Business</li> </ul>	-None-	<u>G Steel Public Company Limited</u> Present Director and Chief Commercial Officer <u>Subsidiaries</u> Present Director and Chief Commercial Officer G J Steel Public Company Limited <u>Others</u> 1987-2013 President Stena Metal Inc., Stamford, Connecticut, USA 1983-1987 President Boliden Steeltrade, USA 1979-1983 Senior Trader Primary Industries, (UK) Ltd., London, UK 1970-1979 Trader Stena Metall AB, Sweden
<b>12. Mr. Michael Wyer</b> - Director - Nomination and Remuneration Committee Member	46	-None-	<ul style="list-style-type: none"> <li>Master of Applied Finance, Macquarie University, Sydney, Australia</li> <li>Chartered Accountant, Institute of Chartered Accountants Australia, Sydney</li> <li>Bachelor of Commerce, University of New South Wales, Sydney, Australia</li> </ul>	-None-	<u>G Steel Public Company Limited</u> Present Director and Nomination and Remuneration Committee Member <u>Others</u> 2011-2013 Head: Distribution, Global Markets Asia (Managing Director level), Standard Bank 2010-2011 Managing Director, Capital Advisory, Asia-Pac, ICAP Financial Products, Singapore, Hong Kong



Name / Position	Age (years)	Relation ship	Education / Training	% of shares	Experience
			<ul style="list-style-type: none"> <li>Capital Markets Services License – Rules &amp; Regulations for Advising on Corporate Finance, Monetary Authority of Singapore, Singapore</li> </ul>		2004-2010 Executive Director, Pan-Asia Presidio Capital Advisors, Singapore 2000-2004 Director, Corporate Advisory & Restructuring & Credit Trading, WestLB Marchant Bank, Singapore 1996-2000 Manager, Corporate Advisory & Restructuring Deputy Manager, Project Finance, Dresdner Kleinwort Benson, Singapore
<b>13. Mr. Paniti Junhasavasdikul</b> - Director - Nomination and Remuneration Committee Member - General Counsel	41	-None-	<ul style="list-style-type: none"> <li>LL.M. University of California at Berkeley, Boalt Hall, California, USA</li> <li>LL.B., Faculty of Law Chulalongkorn University</li> </ul> <b>Training</b> <ul style="list-style-type: none"> <li>Director Certification Program (DCP) (113) Thailand Institute of Directors (IOD)</li> </ul>	-None-	<b>G Steel Public Company Limited</b> Present Director, Nomination and Remuneration Committee Member and General Counsel <u>Subsidiaries</u> Present Director, Nomination and Remuneration Committee Member and General Counsel G J Steel Public Company Limited <u>Others</u> 2000-Present Director Lighthouse Partners Company Limited 2010-2012 General Partners / Managing Director, Lakeshore Capital Partners (Private Equity) 2010-2011 Acting Counsel Italian Thai Power Company Limited 2007-2010 Equity Partner/Country Managing Director, Thailand DFDL (Legal) 2005-Present International Corporate Counsel CDG, ESRI (Thailand), Globetech Director Affiliate of Global Beauty (GBIL) invested by Private Equity (EQT) Fund

## (2) The Management

Name / Position	Age (years)	Relation ship	Education / Training	% of shares	Experience
<b>1. Mr. Eric E. Thompson</b> - Chief Executive Officer	41	-None-	<ul style="list-style-type: none"> <li>● MBA in International Business from the University of Chicago</li> <li>● Bachelor of Arts degree from Duke University</li> </ul>	-None-	<p><u>G Steel Public Company Limited</u></p> <p>Present Chief Executive Officer</p> <p><u>Subsidiaries</u></p> <p>Present Chief Executive Officer G J Steel Public Company Limited</p> <p><u>Others</u></p> <p>2011-Present Managing Director, AlixPartners, Hong Kong and Singapore</p> <p>2012 General Manager Asia, FCI-ELX</p> <p>2010-2011 CEO and CRO, Rubicon Offshore International</p> <p>2009-2010 CEO and CRO, ASAT Holdings Ltd.</p>
<b>2. Mr. Chanathip Trivuth</b> - Chief Administrative Officer	49	-None-	<ul style="list-style-type: none"> <li>● MBA., National Institute of Development Administration</li> <li>● B. Econ., Thammasat University</li> </ul> <p><u>Training</u></p> <ul style="list-style-type: none"> <li>● Director Accreditation Program (DAP) (30/2005) Thailand Institute of Directors (IOD)</li> </ul>	-None-	<p><u>G Steel Public Company Limited</u></p> <p>Present Chief Administrative Officer</p> <p><u>Subsidiaries</u></p> <p>Present Chief Administrative Officer G J Steel Public Company Limited</p> <p><u>Others</u></p> <p>2006-Present Director Asia Metal Public Company Limited</p> <p>2004-Present Director Felix River Kwae Resort (Kanchanaburi) Company Limited</p> <p>2004-2006 Director and Managing Director S.S.P. Place Company Limited</p> <p>1999-Present Managing Director Great Siam Steel Work Company Limited</p> <p>1991-Present Managing Director Intelligent System Network Company Limited</p>
<b>3. Mr. John Gregory Olson</b> - Chief Production Officer	47	-None-	<ul style="list-style-type: none"> <li>● MBA, Amos Tuck School of Business Administration, Dartmouth College, Hanover, New Hampshire, USA</li> <li>● AB Dartmouth College, Hanover, New Hampshire, USA</li> </ul>	-None-	<p><u>G Steel Public Company Limited</u></p> <p>Present Chief Production Officer</p> <p><u>Subsidiaries</u></p> <p>Present Chief Production Officer G J Steel Public Company Limited</p> <p><u>Others</u></p> <p>2003-Present Director AlixPartners Asia LLC</p>

Name / Position	Age (years)	Relation ship	Education / Training	% of shares	Experience
<b>4. Mr. Somchai Leeswadtrakul</b> - Chief Government Liasion	51	Brother of Dr. Somsak Leeswad- trakul	<ul style="list-style-type: none"> <li>● M.A. in Political Science, Ramkhamhaeng University</li> <li>● BAA., Northrop University, USA</li> <li>● Business course, Columbus Business University, USA</li> <li>● The Real Estate Executive Association of Chulalongkorn University</li> </ul>	-None-	<u>G Steel Public Company Limited</u> Present Chief Government Liasion <u>Subsidiaries</u> Present Chief Government Liasion G J Steel Public Company Limited <u>Others</u> Present Chairman of the Executive Committee Sukhumvit Inter Development Company Limited <u>Experience</u> - President Siam Power Generation Company Limited - Vice President Pacific Ocean Shipping Company Limited - Executive Director Siam Property Service Company Limited - Executive Director S.S.P. Place Company Limited - Senior Executive in Criminal Justice Administration, National Justice Academy - Institute of Judicial Officer Department, Office of Court of Justice

# Shareholding Structure

The Company's 10 major shareholders as at 27 February 2013 (latest book-closing date)

No.	Shareholders' Names	Shares	%
1.	Mr. Niram Ngamchamnurit	2,129,904,700	7.69
2.	Superior Overseas (Thailand) Company Limited <sup>1</sup>	1,971,588,903	7.12
3.	Khunying Patama Leeswadtrakul Group <sup>2</sup>	1,484,623,093	5.36
4.	Ms. Ladda Jiraphongtrakul	1,463,652,900	5.28
5.	Thai NVDR Company Limited	1,116,814,100	4.03
6.	Prime Carbon GmbH	957,491,108	3.46
7.	Whiterock Global Fund, SPC.	892,200,414	3.22
8.	Mr. Chalermchai Mahagitsiri	709,443,900	2.56
9.	The Bank of New York (Nominees) Limited	565,552,190	2.04
10.	Mr. Somchai Kamolrattanaphiboon	550,000,000	1.99
11.	Others	15,865,455,967	57.25
<b>Total</b>		<b>27,706,727,275<sup>3</sup></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	5.18%	(1,434,623,093 shares)
(2)	Ms. Suthidarat Leeswadtrakul	0.09%	(25,000,000 shares)
(3)	Ms. Suratiporn Leeswadtrakul	0.09%	(25,000,000 shares)

<sup>3</sup> Paid-up Registered Capital as at 27 February 2013 (latest book-closing date) amounting 27,706,727,275 shares, while the current Registered Capital as at 19 March 2013 amounting 30,311,651,508 shares.

# Management Structure

The Company's Management Structure comprises the Board of Directors and 4 committees namely Audit Committee, Nomination and Remuneration Committee, Corporate Governance 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 6 non-executive (5 independent directors) and 7 executive directors. The number of 13 members of the Board of Directors is supposed to be appropriate, as well as the composition of 54% 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 46%, 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 2012 until now, there have been the following changes and revision of authorized signatory directors.

❖ At the Board of Directors Meeting No. 5/2012, held on 8 June 2012, it was resolved that Mr. Somchai Leeswadtrakul be appointed to replace a director, namely, Mr. Sittichai Leeswadtrakul, who resigned on 7 June 2012.

❖ At the Board of Directors Meeting No. 1/2013, held on 17 January 2013, it was resolved that General Lertrat Ratanavanich, Mr. Ivo Naumann, Mr. William Anthony Gloyne, Mr. Flemming Jensen and Mr. Paniti Junhasavasdikul be appointed to replace five directors, namely, Mr. Vijit Supinit, Assoc. Prof. Prapanpong Vejajiva, Mr. Preecha Prakobkit, Pol. Lt. Gen. Prakard Sataman and Mr. Somchai Leeswadtrakul, who resigned on 17 January 2013, for compliance with the Turnaround Project of the Company.

❖ The new organization structure following the restructuring was as follows:

- 1) General Lertrat Ratanavanich was appointed the Chairman of the Board of Directors
- 2) Mr. Eric E. Thompson was appointed the Chief Executive Officer in place of Mr. Ryuzo Ogino who resigned from this position but remains a director
- 3) Mr. William Anthony Gloyne was appointed the Chief Financial Officer
- 4) Mr. Flemming Jensen was appointed the Chief Commercial Officer

❖ The authorized signatories were changed from

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

to

“Mr. Ivo Naumann or Khunying Patama Leeswadtrakul or Mr. William Anthony Gloyne or Mr. Yanyong Kurovat or Mr. Flemming Jensen or Mr. Ryuzo Ogino, 2 of 6 directors jointly sign and affix the Company's seal”.

❖ For compliance with the Turnaround Project of the Company, at the Board of Directors Meeting No. 2/2013, held on 21 January 2013, it was resolved that Mr. Michael Wyer and Mr. Teerapol Pussadet be appointed to replace two directors, namely, General Chuchat Kambhu Na Ayudhya and Asst. Prof. Komol Wong-Apai, who resigned on 21 January 2013.

❖ At the Board of Directors Meeting No. 2/2013, held on 21 January 2013, it was resolved that Mr. Chainarong Monthienvichienchai and Mr. Teerapol Pussadet be appointed to replace two Audit Committee Members, namely Assoc. Prof. Prapanpong Vejajiva and Mr. Preecha Prakobkit, who resigned on 17 January 2013.

❖ In accordance with the resolution passed at the Board of Directors Meeting No. 5/2013, held on 20 March 2013, the Nomination Committee and the Remuneration Committee were merged into the Nomination and Remuneration Committee with the appointment of three new committee members, namely, Mr. Teerapol Pussadet as the Chairman, and Mr. Paniti Junhasavasdikul and Mr. Michael Wyer as the committee members.

❖ In accordance with the resolution passed at the Board of Directors Meeting No. 5/2013, held on 20 March 2013, the Corporate Governance Committee was created with three committee members, namely Mr. Chainarong Monthienvichienchai as the Chairman, and Mr. Yanyong Kurovat and Mr. William Anthony Gloyne as the committee members.

Currently, the Company's Board of Directors comprises 13 members as follows :

1. General Lertrat	Ratanavanich	Chairman	(independent director)
2. Dr. Somsak	Leeswadtrakul	Vice Chairman	(non-executive director)
3. Prof. Paichitr	Rojanavanich	Chairman of the Audit Committee	(independent director)
4. Mr. Chainarong	Monthienvichienchai	Audit Committee Member	(independent director)
5. Mr. Teerapol	Pussadet	Audit Committee Member	(independent director)
6. Mr. Ivo	Naumann	Director	(executive director)
7. Mr. Ryuzo	Ogino	Director	(executive director)
8. Khunying Patama	Leeswadtrakul	Director	(executive director)
9. Mr. William Anthony	Gloyne	Director	(executive director)
10. Mr. Yanyong	Kurovat	Director	(executive director)
11. Mr. Flemming	Jensen	Director	(executive director)
12. Mr. Michael	Wyer	Director	(independent director)
13. Mr. Paniti	Junhasavasdikul	Director	(executive director)

At present, Authorized signatory directors on the Company's behalf are "Mr. Ivo Naumann or Khunying Patama Leeswadtrakul or Mr. William Anthony Gloyne or Mr. Yanyong Kurovat or Mr. Flemming Jensen or Mr. Ryuzo Ogino, 2 of 6 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 Audit Committee, Nomination and Remuneration Committee, Corporate Governance 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 where the Board of Directors to be informed accordingly.
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) 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 Rojanavanich 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 | Rojanavanich        | Chairman of the Audit Committee |
| 2. Mr. Chainarong | Monthienvichienchai | Audit Committee Member          |
| 3. Mr. Teerapol   | Pussadet            | 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.

## **(3) Nomination and Remuneration Committee**

### **Definition**

#### **• Nomination and remuneration Committee**

Nomination and Remuneration Committee Member means a person appointed by the Board of Directors as a member of the Nomination and Remuneration Committee. For the transparency and independence in performance of duties,

the Chairman of the Nomination and Remuneration Committee shall be an independent director and no less than two-thirds of total number of the committee members shall be the independent directors. In addition, the committee member shall have sufficient knowledge and experience to nominate directors and senior executives of the Company and to conduct other duties as the nomination and remuneration committee member, provided that the qualifications of the committee member shall be prescribed by the Company and in accordance with the corporate governance principles prescribed by Stock Exchange of Thailand.

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

1. Mr. Teerapol	Pussadet	Chairman of the Nomination and Remuneration Committee
2. Mr. Paniti	Junhasavasdikul	Nomination and Remuneration Committee Member
3. Mr. Michael	Wyer	Nomination and Remuneration Committee Member

### **Responsibilities of the Nomination and Remuneration 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 stipulate all rules and policies on remunerations for the Board of Directors, committees and Chief Executive Officer for approval by the Board of Directors and/or, as the case may be, the Shareholders' Meeting.
4. To set necessary and appropriate annual remunerations for the Board of Directors, committees and the Chief Executive Officer.
5. To report to the Board of Directors the Nomination and Remuneration Committee meeting results or other matters the Board of Directors should be informed.
6. To perform any tasks assigned by the Board of Directors.

## **(4) Corporate Governance Committee**

### **Definition**

#### **• Corporate Governance Committee**

A corporate governance committee member means a person appointed by the Board of Directors as a member of the Corporate Governance Committee. The Chairman of the Corporate Governance Committee shall be an independent director and have sufficient knowledge in relation to the compliance with the corporate governance principles for the purpose of the compliance with the corporate governance principles prescribed by the Stock Exchange of Thailand.

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

1. Mr. Chainarong	Monthienvichienchai	Chairman of the Corporate Governance Committee
2. Mr. Yanyong	Kurovat	Corporate Governance Committee Member
3. Mr. William Anthony	Gloyne	Corporate Governance Committee Member

### **Responsibilities of the Corporate Governance Committee**

Given the fact that the Corporate Governance Committee was created by the resolution of the Board of Directors Meeting No. 5/2013, held on 20 March 2013, the scope of its powers and authorities has yet been concluded.



## **(5) 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.

## **(6) Company Secretary**

The Board of Directors Meeting No. 1/2013 held on 17 January 2013 appointed Mr. Poonyavee Chaiyarungsakul 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 for the 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. Eric E.	Thompson	Chief Executive Officer
2. Khunying Patama	Leeswadtrakul	Chief CSR
3. Mr. Somchai	Leeswadtrakul	Chief Government Liaison
4. Mr. John Gregory	Olson	Chief Production Officer
5. Mr. Flemming	Jensen	Chief Commercial Officer
6. Mr. Paniti	Junhasavasdikul	General Counsel
7. Mr. Chanathip	Trivuth	Chief Administrative Officer
8. Mr. William Anthony	Gloyne	Chief Financial Officer

## 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 executives, 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 to be 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 Board of Directors.

10. To perform other works assigned by 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 and Remuneration Committee are responsible for selecting and nominating the persons to take these positions. The Nomination and Remuneration Committee shall consider person with knowledge, capability, experience with specialization that are crucial and essential to the Company's operation. The Nomination and Remuneration 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).

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 end 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 nominat 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 2012 The Remuneration Committee resolved, in accordance with the scope of duty and responsibility assigned and at the same range as that offered to directors in listed companies of similar size and in the same industry, and also the Company's performance, business environment and economy as a whole, to propose to the Board of Directors and to the Shareholders in the Annual General Shareholders' Meeting to approve the total amount of the Directors' remuneration not exceeding Baht 8,000,000 for the Year 2012 same as previous year.

### ● Remuneration for the Board of Directors for the year 2012

Position	Position Remuneration (Baht/month)	Monthly Remuneration (Baht/month)	Meeting Allowance (Baht/time)
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 for 2012**

Name of the Board of Directors	Remuneration for directors (Baht)	Meeting Allowance (Baht)					Total Monetary Remuneration (Baht)
		Board of Directors	Executive Committee	Audit Committee	Nomination Committee	Remuneration Committee	
1. Mr. Vijit Supinit	700,000	195,000	-	-	-	-	895,000
2. Dr. Somsak Leeswadtrakul *	-	-	-	-	-	-	-
3. Mr. Ryuzo Ogino *	-	-	-	-	-	-	-
4. Prof. Paichitr Rojanavanich	420,000	82,500	-	110,000	-	-	612,500
5. Khunying Patama Leeswadtrakul *	-	-	-	-	-	-	-
6. Mr. Yanyong Kurovat	210,000	97,500	-	-	7,500	-	315,000
7. Assoc. Prof. Prapanpong Vejajiva	280,000	90,000	-	110,000	-	7,500	487,500
8. Mr. Chainarong Monthienvichienchai	210,000	82,500	-	-	7,500	-	300,000
9. Pol. Lt. General Prakard Satamarn	210,000	97,500	-	-	-	7,500	315,000
10. Gen. Choochat Kambhu Na Ayudhya	210,000	90,000	-	-	-	7,500	307,500
11. Mr. Preecha Prakobkit	280,000	67,500	-	80,000	-	-	427,500
12. Asst. Prof. Komol Wong-Apai	210,000	105,000	-	-	7,500	-	322,500
13. Mr. Sittichai Leeswadtrakul **	150,000	15,000	-	-	-	-	165,000
14. Mr. Somchai Leeswadtrakul **	60,000	52,500	-	-	-	-	112,500
<b>Total</b>	<b>2,940,000</b>	<b>975,000</b>	<b>-</b>	<b>300,000</b>	<b>22,500</b>	<b>22,500</b>	<b><u>4,260,000</u></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

\*\* Mr. Sittichai Leeswadtrakul resigned on 7 June 2012 and Mr. Somchai Leeswadtrakul to replace as director on 8 June 2012



Currently, the Company's Board of Directors comprises 13 members as follows :

1.	General Lertrat	Ratanavanich	Chairman
2.	Dr. Somsak	Leeswadtrakul	Vice Chairman
3.	Prof. Paichitr	Rojanavanich	Chairman of the Audit Committee
4.	Mr. Chainarong	Monthienvichienchai	Audit Committee Member
5.	Mr. Teerapol	Pussadet	Audit Committee Member
6.	Mr. Ivo	Naumann	Director
7.	Mr. Ryuzo	Ogino	Director
8.	Khunying Patama	Leeswadtrakul	Director
9.	Mr. William Anthony	Gloyne	Director
10.	Mr. Yanyong	Kurovat	Director
11.	Mr. Flemming	Jensen	Director
12.	Mr. Michael	Wyer	Director
13.	Mr. Paniti	Junhasavasdikul	Director

## 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. 2012	As of 31 Dec. 2011	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 KambhuNaAyudhya	-	-	-
11. Mr. Preecha Prakobkit	-	-	-
12. Asst. Prof. Komol Wong-Apai	-	-	-
13. Mr. Sittichai Leeswadtrakul **	334,946,800	334,946,800	-
14. Mr. Somchai Leeswadtrakul **	-	-	-

Note \*\* Mr. Sittichai Leeswadtrakul resigned on 17 June 2012 and Mr. Somchai Leeswadtrakul to replace director held on 8 June 2012

### Change in Shareholding of the Management

Name	Shareholding (shares) : Par value 1 Baht		
	As of 31 Dec. 2012	As of 31 Dec. 2011	Increase/(Decrease)
1. Mr. Nakun Sakunchotikarote	100,000	100,000	-
2. Mr. Wuttichai Sresthabutra	-	-	-
3. Mr. Oscar Miguel Ojeda Luna	-	-	-

Through the year 2012, 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 2012, 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 2012 Annual General Meeting of the Shareholders on 30 April 2012, 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 2012 Annual General Meeting of the Shareholders" for publishing on the Company's website on 17 April 2012, within 13 days after the meeting which is in compliance with the regulations of SEC and SET.

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

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

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

### **1.4 Facilitating shareholders to exercise rights**

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

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

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

### **1.5 Providing time and opportunity for shareholders to express their opinions**

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

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

#### **1.6 Directors to attend the shareholders' meeting**

- With fully respect of shareholders' right, 13 members of the Board of Directors attended Annual General Meeting of the Shareholders for the year 2012.

It could be concluded that the Company still developed organizing the 2012 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 6 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 2012 Annual General Meeting of Shareholders (from 3 November 2011 to 10 January 2012). 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 2012 so as for consideration to include in the agenda. In 2012, none of shareholders proposed in advance any issue in the agenda. The criteria of proposing the agenda of the 2012 Annual General Meeting of Shareholders were the followings:

1. The qualifications of shareholders entitled to propose issue for the annual general meeting of shareholders agenda shall be the shareholder holding not less than 100,000 shares, maybe a sole shareholder or combined shareholders, holding continuingly such shares not less than 12 months from the holding date to the proposal date.
2. An issue shall be proposed through the "Agenda Proposal Form for 2012 Annual General Meeting" with related complete and entire documents, to be submitted to the Company within 10 January 2012.
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 2012 Annual General Meeting of Shareholders (from 3 November 2011 to 10 January 2012). 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 2012 to consider and propose to the general meeting of shareholders. In 2012, 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 continuously 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 13 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 1 independent directors are 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, 33 shareholders authorized the independent director to attend the meeting and vote on behalf of them in the 2012 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's 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@gsteeel.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@gsteeel.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;

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- 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 2012 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 2012, 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 2012, the Board of Directors has the total meetings of 13 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 7 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 2012 Annual General Meeting of the Shareholders, also the Extraordinary General Meeting of the Shareholders No. 1/2012, 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	2012 AGM	EGM No. 1/2012
1.	Mr. Vijit Supinit	13 / 13	✓	✓
2.	Dr. Somsak Leeswadtrakul	13 / 13	✓	✓
3.	Mr. Ryuzo Ogino	13 / 13	✓	✓
4.	Prof. Paichitr Rojanavanich	11 / 13	✓	✓
5.	Khunying Patama Leeswadtrakul	10 / 13	✓	✓
6.	Mr. Yanyong Kurovat	13 / 13	✓	✓
7.	Assoc. Prof. Prapanpong Vejjajiva	12 / 13	✓	✓
8.	Mr. Chainarong Monthienvichienchai	11 / 13	✓	✓
9.	Pol. Lt. General Prakard Satamarn	13 / 13	✓	-
10.	Gen. Choochat Kambhu Na Ayudhya	12 / 13	✓	✓
11.	Mr. Preecha Prakobkit	9 / 13	✓	✓
12.	Asst. Prof. Komol Wong-Apai	13 / 13	✓	✓
13.	Mr. Sittichai Leeswadtrakul	2 / 4	✓	
14.	Mr. Somchai Leeswadtrakul	7 / 8		✓

Note \* Mr. Sittichai Leeswadtrakul resigned on 7 June 2012)

\*\* Mr. Somchai Leeswadtrakul to replace director on 8 June 2012

### **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 2012 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 2012, 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 2012, the Audit Committee convened 11 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	11 / 11
2.	Assoc. Prof. Prapanpong Vejajiva	11 / 11
3.	Mr. Preecha Prakobkit	8 / 11

### **Nomination Committee**

For the 3 directors retiring at the end of their terms in the year 2012, 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 3 retiring directors to serve for another term, namely; Mr. Yanyong Kurovat, Asst. Prof. Komol Wong-Apai and Mr. Sittichai Leeswadtrakul and approved by the 2012 Annual General Meeting of the Shareholders.

In 2012, 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 2012 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 2012 Annual General Meeting of the Shareholders for approval.

In 2012, the Remuneration Committee met 1 time and all committee members attended such meeting in unison.

### **Risk Management Committee**

In 2012, 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 2012, 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](http://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 6 persons (independent directors 5 persons), together with 7 executive directors forming as 13 members of the Board of Directors. The balance of power by independent directors is 46% 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 4 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 2012, in late 2011 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**

- In 2012 The Remuneration Committee resolved, in accordance with the scope of duty and responsibility assigned and at the same range as that offered to directors in listed companies of similar size and in the same industry, and also the Company's performance, business environment and economy as a whole, to propose to the Board of Directors and to the Shareholders in the Annual General Shareholders' Meeting to approve the total amount of the Directors' remuneration shall not exceed Baht 8,000,000 for the Year 2012 same as previous year.

#### **5.13 Directors and executives development**

- The Board of Directors encouraged and provided the training courses to develop and educate the Company's directors and members of committees so as for the continuous improvement in performing their tasks.

- The Company Secretary 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. 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.

During 2012 to present, the Company has proceeded a project on the conversion of debt with the creditors on debt restructuring comprising haircut, conversion of debt to equity and debt moratorium through the Debt-To-Equity Project, Bond Exchange Program No. 2 leading to the notable decrease in our liabilities. We have acquired additional fund for working capital via Rights Offering of newly issued shares and GSTEL-W2 warrants; and we are also in the process of applying for raw materials purchase loans from banks and our business partners and seeking additional credit facilities from other resources so as to ensure the optimum production capacity in short time.

In early 2013, we have appointed one of the world's leading management companies with the expertise in business rehabilitation consultancy particularly for heavy industry to carry out the corporate turnaround and to ensure the improved operating results under the good corporate governance. Furthermore, in conformity with the management restructuring, there have been changes in the Board of Directors and the Executive team, particularly the Chief Executive Officer, the Chief Finance Officer, the Chief Commercial Officer and Legal Advisor.

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 lately in 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**

Thailand is bound by the Free Trade Agreement (FTA) relating to the steel industry which is the Japan-Thailand Economic Partnership Agreement (JTEPA). The JTEPA specifies the quota of hot-rolled coils imported from Japan being subject to import tariff elimination (exemption of import duties for quantity of goods specified by Thai Government in each year). These products comprise pickled and oiled hot-rolled steels and hot-rolled coils for cold rolling and they are required to be imported because the domestic production is insufficient to the current demand. Thus, G Steel may be affected in terms of market opportunities that can drive the development of production capacity of these quota products in competing with those imported from Japan in the long run, in future.

The FTAs between “ASEAN and China” and “ASEAN and South Korea” currently in effective specify the exemption of import duty (zero duty) for other alloy steel products excluding stainless steel, high speed steel, and silicon steel for electric works in coil and other forms (the domestic production of which is insufficient to the domestic demand) which are imported from the party countries. These FTAs have become in full force and effect since the end of 2009.

In 2012 such import tariff elimination provision had been distorted by foreign manufacturers and exporters whereby the original purposes of the free trade with the privilege of import duty exemption. Consequently, the manufacturers of hot-rolled steel, including G Steel, have constantly suffered severely from the import of other alloy steels in an increasingly high volume which compete with the hot-rolled, non-alloy steel that can be locally produced in an unfair manner. Requests have been sent to the Government sector for assistance since the rise of the problem in 2010. Eventually, the manufacturers filed a request with the Ministry of Commerce for the consideration of protective measures from the increasing import of such goods that this pressing issue against the domestic industry is resolved and cased. The Ministry of Commerce then issued a notification prescribing the inquisition on the increasing imports of other alloy steels in November 2012 marking the commencement of prescription of the protective measures.

### **5.2 Risk from the government's price control**

Since 2012 until the preparation of this report (March 2013), by virtue of the notification of the Ministry of Commerce, the hot-rolled steels are deemed as the controlled products. In practice, the monitoring of movement of quantity and domestic selling price has been conducted in a lenient manner and there is not any official suggested price which is used to be specified in the past. This is because the government sector has better knowledge and understanding in relation to the costs and expenses of the manufacturers; and it is apparent that the manufacturers had suffered financial issues for a long period, particularly during the time of strict control of selling prices by the government sector.

Each manufacturer has a duty to inform the Department of Domestic Trade of the quantity and selling price of the products. However, any manufacturer may change the product price with the supervision of the Department of Domestic Trade. Accordingly, G Steel may be exposed to minor risk from being prohibited from raising the price of the products where the Ministry of Commerce enforces the price stabilization measure on any commodity for a certain period of time. In case of necessity, G Steel may declare the costs of raw materials and the costs of production which have increased to justify the price raise and the rationale for such raise. Therefore, this is a minor risk which may affect the earning ability and profitability in future.

### **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 11 meetings in 2012, 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 2012, dated 20 March 2013 by asking information from the Company's executives and the form has been approved by the Audit Committee.

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 2012. 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.

- 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 2012, 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 2012, the Company clearly reviewed the regulation on approval authorization in financial and operational matters for the Management to manage the operations with utmost 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.

#### **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 7 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 Director 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 2012 (Million Baht)	Outstanding as of end of 2012 (Million Baht)	Terms and conditions
<p>Sukhumvit Inter Development Co., Ltd. ("SID")</p> <p><u>Type of business</u></p> <p>- Developer of office building, industrial estate and others</p>	<p>A juristic person 1.26% of whose shares are held by the Company's directors and shareholders</p>	<ul style="list-style-type: none"> <li>▪ Deposit in related parties</li> <li>▪ Trade account payable</li> </ul>	<p>-</p> <p>4</p>	<p>2</p> <p>2</p>	<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>
<p>Arnoma Hotel Bangkok Co., Ltd. ("Arnoma")</p> <p><u>Type of business</u></p> <p>- Hotel</p>	<p>A juristic person having the interlocking directorate and management with GJS, and 69.4% of whose shares are directly and indirectly held by the Company's directors and shareholders</p>	<ul style="list-style-type: none"> <li>▪ Other creditor and accrued expenses - other related parties</li> </ul>	<p>2</p>	<p>2</p>	<ul style="list-style-type: none"> <li>▪ Service fees for using venues for meetings and conventions for foreign business visitors of the Company. The hotel is located in a strategic area and charges standard service fees.</li> </ul>
<p>Oriental Access Co., Ltd. ("OAC")</p> <p><u>Type of business</u></p> <p>- Business advisor</p>	<p>A juristic person 99.98% of whose shares are indirectly held by the Company via Siam Professional Holding Co., Ltd. and having the interlocking directorate with the Company</p>	<ul style="list-style-type: none"> <li>▪ Receivable from consulting service- a subsidiary</li> <li>▪ Allowance for doubtful debts</li> <li>▪ (Reversing entry) Doubtful debts</li> <li>▪ Receivable from collateral</li> </ul>	<p>-</p> <p>-</p> <p>(37)</p> <p>-</p>	<p>1,067</p> <p>(1,067)</p> <p>-</p> <p>750</p>	<ul style="list-style-type: none"> <li>▪ Service fees for the Company's consulting service provided to OA in relation to production process management and other business advices.</li> <li>▪ New shareholder pledged its shares as collateral for obligations of OA</li> </ul>

Persons with possible conflict of interest	Type of relationship	Transaction	Transaction value in 2012 (Million Baht)	Outstanding as of end of 2012 (Million Baht)	Terms and conditions
		<ul style="list-style-type: none"> <li>Allowance for doubtful debts</li> <li>Loans to related parties</li> <li>Allowance for doubtful debts</li> <li>Accrued interest income from related party</li> <li>Allowance for doubtful debts</li> </ul>	317 - 11 - -	(750) 2,163 (2,163) 209 (209)	
G J Steel Public Co., Ltd. ("GJS") <u>Type of business</u> - Hot Rolled Coil producer	A juristic person 27.88 % of whose shares are indirectly held by the Company and its subsidiaries, and having the interlocking directorate with the Company	<ul style="list-style-type: none"> <li>Receivable from sales of raw materials and others</li> <li>Accrued interest income</li> <li>Receivable from off-setting</li> <li>Advance payment for products and services</li> <li>Short-term loan</li> </ul>	3 77 - 55 -	128 130 946 28 28	<ul style="list-style-type: none"> <li>Purchase of hotrolled steel at a market price with the same general business conditions as those 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 based on the cost-plus method with the general business conditions, which was not higher than the price it paid to other scrap sellers.</li> <li>Sales of hot-rolled steel at the market price with the same general business</li> </ul>

Persons with possible conflict of interest	Type of relationship	Transaction	Transaction value in 2012 (Million Baht)	Outstanding as of end of 2012 (Million Baht)	Terms and conditions
					<p>conditions as those 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 based on the cost-plus method with the general business conditions.</li> </ul>
<p>Millconsteel Industries Co., Ltd. ("MILL")</p> <p><u>Type of business</u></p> <ul style="list-style-type: none"> <li>- Sale and/or purchase of raw materials, steel and consumables</li> </ul>	<p>A juristic person having the interlocking directorate with the Company and its subsidiaries</p>	<ul style="list-style-type: none"> <li>▪ Advance received from customers-related parties</li> </ul>	5	-	<ul style="list-style-type: none"> <li>▪ Costs of purchase of other raw materials and consumables for the production at the prices based on the cost-plus method with the general business conditions.</li> <li>▪ Sales of hotrolled steel at a market price with the same business conditions as those 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 2012 (Million Baht)	Outstanding as of end of 2012 (Million Baht)	Terms and conditions
Millcon Burapa Co., Ltd. ("BRP") <u>Type of business</u> - Sale and/or purchase of raw materials and consumables	A juristic person having the interlocking directorate with the Company and its subsidiaries	▪ -	-	-	▪ Sale and/or purchase of raw materials and consumables
Great Siam Steel Works Co., Ltd. <u>Type of business</u> - Sale and/or purchase of Hot Rolled Coil Products	A juristic person having the interlocking directorate with the Company and its subsidiaries	▪ Trade account receivable	1	-	▪ Sales of hotrolled steel at a market price with the same general business conditions as those 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 99.99% of whose shares are held by the Company, and having the interlocking directorate with the Company	▪ Loan to related parties ▪ Allowance for doubtful debts ▪ Accrued interest from related parties ▪ Allowance for doubtful debts	- - - -	6 (6) 1 (1)	▪ For investment.
GS Notes Holdings Co., Ltd. ("GS Notes")	A subsidiary 99.99% of whose shares are held by the Company, and having the interlocking directorate with the Company	▪ -	-	-	▪ A special purpose vehicle established for the Company's debt restructuring through bond issue.

Persons with possible conflict of interest	Type of relationship	Transaction	Transaction value in 2012 (Million Baht)	Outstanding as of end of 2012 (Million Baht)	Terms and conditions
GS Securities Holding Co., Ltd. ("GS Securities")	A subsidiary 99.99% of whose shares are held by the Company, and having the interlocking directorate with the Company	<ul style="list-style-type: none"> <li>Trade account payable of related party</li> </ul>	-	196	<ul style="list-style-type: none"> <li>A special purpose vehicle established for the Company's debt restructuring</li> </ul>
Advance Metal Fabrications Co., Ltd. ("Advance")	A related company whose shareholders are directors of the Company	<ul style="list-style-type: none"> <li>Trade account receivable</li> <li>Allowance for doubtful debts</li> <li>Trade account receivable from sales of raw materials</li> <li>Allowance for doubtful debts</li> <li>Trade account receivable from sales of metal scraps</li> <li>Allowance for doubtful debts</li> <li>(Reversal) Bad and doubtful debts</li> <li>Trade account payable</li> <li>Other creditors</li> </ul>	174 - - - - - (1) 449 1	54 (54) 1 (1) 338 (338) - 19 -	<ul style="list-style-type: none"> <li>Sales of hotrolled coil at a market price with the same general business conditions as those offered to other customers with records of good financial standing and timely payment as required by the Company.</li> <li>Sales of scraps at the price based on the cost-plus method with the same general business conditions as those offered to other customers.</li> <li>Purchase of steel scraps for use in the production process at the price based on the cost-plus method with the general business conditions, which was not higher than the price paid to other suppliers.</li> </ul>

Persons with possible conflict of interest	Type of relationship	Transaction	Transaction value in 2012 (Million Baht)	Outstanding as of end of 2012 (Million Baht)	Terms and conditions
SSP Place Co., Ltd. ("SSP")	A related company having the interlocking directorate with the subsidiary	<ul style="list-style-type: none"> <li>▪ Deposit in related parties</li> <li>▪ Other creditors and accrued expenses-related parties</li> </ul>	- 8	1 10	<ul style="list-style-type: none"> <li>▪ Rental and service fees for space used as the head office.</li> </ul>
Asia Metal Public Co., Ltd.	A related company having the cross-holding with the Company and the interlocking directorate with the subsidiary	<ul style="list-style-type: none"> <li>▪ Advance received from customers-related party</li> </ul>	-	20	<ul style="list-style-type: none"> <li>▪ Sales of hotrolled steel at a market price with the same general business conditions as those offered to other customers with records of good financial standing and timely payment as required by the Company.</li> </ul>
Asia Metal Fabrications Co., Ltd.	A subsidiary of the related company	<ul style="list-style-type: none"> <li>▪ Advance payment for land, buildings and equipment</li> <li>▪ Allowance for asset impairment</li> <li>▪ Creditor for machinery and construction works</li> </ul>	- - -	8 (8) 1	<ul style="list-style-type: none"> <li>▪ Construction service.</li> </ul>
Mahachai Steel Center Co., Ltd.	A shareholder of the Company since 21 September 2012	<ul style="list-style-type: none"> <li>▪ Trade account receivable - other related parties</li> <li>▪ Allowance for doubtful debts</li> <li>▪ Trade account payable – other related parties</li> <li>▪ Accrued interest expense – other</li> </ul>	- 3 - 2	8 (3) 52 2	<ul style="list-style-type: none"> <li>▪ Sales of hotrolled steel at the market price with the same general business conditions as those offered to other customers with records of good financial standing and timely payment as required by the Company</li> <li>▪ Purchase of metal</li> </ul>

Persons with possible conflict of interest	Type of relationship	Transaction	Transaction value in 2012 (Million Baht)	Outstanding as of end of 2012 (Million Baht)	Terms and conditions
		related parties			scraps for use in the production process at the price based on the cost-plus method with the general business conditions, which was not higher than the price paid to other suppliers
GS Notes Holdings 2 Co., Ltd. ("GS Notes 2")	A subsidiary 99.99% of whose shares are held by the Company, and having the interlocking directorate with the Company	▪ Short-term loan- subsidiary	1	1	▪ A special purpose vehicle established for the Company's debt restructuring
Mrs. Nangnoi Traiwut	A cousin of a director of the subsidiary	▪ Accrued interest expense –other related persons ▪ Short-term loan – other related person	3 30	3 30	▪ A loan agreement executed between the Company and Mrs. Nangnoi Traiwut on 28 March 2012 for the loan amount of Baht 30 million with the annual 12% interest, whereby the Company was required to place, as collateral, 500 million shares of GJ Steel held by it with the lender

## 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 once were its directors and direct and indirect shareholders but had resigned from the directorship and had no longer held its shares 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> <li>▪ Other creditors and accrued expenses</li> <li>▪ Rental and other service fees</li> </ul>	<p>-</p> <p>-</p> <p>171</p> <p>2</p> <p>6</p>	<p>30</p> <p>(30)</p> <p>53</p> <p>2</p> <p>-</p>	<ul style="list-style-type: none"> <li>▪ Sales of hotrolled steel at the market price with the same general business conditions as those offered to other customer with records of good financial standing and timely payment as required by the Company</li> <li>▪ Purchase of other raw materials and consumables used in the production which accounted for no more than 3% of the production cost, at the price based on the cost-plus method with the general business conditions.</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 had resigned from the directorship and had no longer held its shares since October 2004.</p>	<ul style="list-style-type: none"> <li>▪ Trade account receivable</li> <li>▪ Allowance for doubtful debts</li> </ul>	<p>-</p> <p>-</p>	<p>333</p> <p>(333)</p>	<ul style="list-style-type: none"> <li>▪ Sales of hotrolled steel at a market price with the same general business conditions as those offered to other customers.</li> <li>▪ Sales of steel scraps at the price based on the cost-plus method with the same general business condition as those 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 fees</li> <li>▪ Other creditors and accrued expenses</li> </ul>	- - 50	1 7 11	<ul style="list-style-type: none"> <li>▪ Fees for transporting steel scraps from the port to the factory and from the factory to the customers and to the port for export based on the weight of steel scraps and steel sheets being transported, which was a market price comparative to the service fees offered by other firms in general.</li> </ul>
Trinity International Co., Ltd. ("Trinity Inter") <u>Type of business</u> - Shipping service provider - Steel wholesaler and retailer	The Company's director, shareholder and executive were once its director and shareholder but had resigned from the directorship and had no longer held its shares since 2002 and 2003, respectively.	<ul style="list-style-type: none"> <li>▪ Other creditors and accrued expenses</li> </ul>	1	10	<ul style="list-style-type: none"> <li>▪ Customs clearance fees for imported raw materials and exported hotrolled steel at a market price comparative to that charged by other companies in general.</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
Millennium Metal Work Co., Ltd. ("Millennium") <u>Type of business</u> - Steel wholesaler and retailer	A former major shareholder of Superior Overseas (Thailand) Co., Ltd. used to be a director but had resigned from the 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 hotrolled steel at a market price with the same general business conditions as those offered to other customers.</li> </ul>

### 3. Measures or procedures for approval of connected transactions with related companies or persons with possible conflict of interest

The Company has adopted a policy to protect every shareholder by setting up the measures to strictly control connected transactions with related companies or persons with possible conflict of interest as follows:

1. To approve a transaction with any related company or person with a possible conflict of interest and business alliance (collectively referred to as "person with possible conflict of interest"), the Board of Directors and the Audit Committee must consider and specify the concrete policies as follows:

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

- The principles on the management approval powers of the executives at each level must be clearly determined as follows:

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



2. In case of normal business transactions with the related companies or persons with possible conflict of interest, such as, purchase of raw materials or services, or sales of goods;

- The Internal Audit Department shall examine every of such transactions on a monthly basis to ensure the reference price which represents a market price and the general business conditions comparable to those offered to the non-related business partners for the utmost benefit of the Company, and present the examination results to the Audit Committee for consideration on a quarterly basis;

- The Audit Committee shall, for the Company's utmost benefit, consider and express its opinions with regard to the necessity and rationale behind the proposed transaction by comparing the price and business conditions with those in the transactions with the non-related business partner involving the same or equivalent products. If the Audit Committee finds that the transaction does not conform to the pre-determined principles, it shall inform the Board or CEO to find a solution together.

3. In case of other transactions, such as, loans, acquisitions or disposals of major assets or execution of agreements, the Audit Committee shall express its opinions over, among others, the suitability of the price as well as the necessity and rationale of such transaction. If the Audit Committee is not proficient to do so, it may allow an independent expert or auditor of the Company to review the matter and express opinions on such connected transaction to support the decision-making of the Board of Directors or the shareholders, as the case may be.

#### **4. Policies on future connected transactions**

For its utmost benefits, the Company has adopted the policies for future connected transactions which include setting conditions in line with the ordinary course of business and the price comparable to the prices and conditions offered to the other parties. However, the Company does not have any policy regarding provision of financial assistance or guarantee to any related company or person with possible conflict of interest. With respect to the execution of any future connected transaction with persons having a possible conflict of interest, the Company's Audit Committee, auditor or independent expert, as the case may be, shall review and express their opinions over the suitability of the price and the rationale behind the transaction, and shall comply with the measures or procedures for approval of connected transactions and other related transactions under the notifications of the Office of the Securities and Exchange Commission.

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 hosted by the Department of Industrial Works, 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 2012, the Company has regularly updated important issues and continuously adapted. As a result, the Company received 5 renown awards from the government sector, e.g. CSR awards and certificates, namely, the Development of Industrial Productivity under the Industrial Sufficiency Economy Standard from the Office of Industrial Economics, the Best Presentation of "the Optimization of Industrial Logistics Performance" from the Bureau of Logistics, Department of Primary Industries and Mines in collaboration with the Technology Promotion Association (Thailand-Japan), the CSR-DPIM Award 2012 in Steel Industry from the Department of Primary Industries and Mines, the Green Mining Award 2012 from the Department of Primary Industries and Mines, the CSR-DIW Continuous Award from the Department of Industrial Works, and the CSR-DIW Award in Supply Chain from the Department of Industrial Works.

For 2012, 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 4 February 2012 to encourage unity among the employees and using their leisure time to benefit. The Company also organized "White Factory Project" so as for a drug free factor, as an annual event for a campaign among employees for knowledge about drugs, sports for good health 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 11 April 2012, 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.

- **Group Ordination Program**

With the view to promote religious understanding, G Steel's first Group Ordination Program was arranged during 15-26 May 2012 with 25 participants.

### **1.3 Education promotion**

- **Offering internship opportunities to students**

With the Company's internship opportunities offering to students, in 2012, a large number of students from the following educational institutions, among others, were allowed, within their fields of study, to observe the factory's operation process

- Departments of Materials Technology and Information Technology, Faculty of Science, Surat Thani Campus, Prince of Songkla University
- Departments of Industrial Engineering and Environment Engineering, Faculty of Engineering, Naresuan University
- Departments of Industrial Engineering, Mechanical Engineering and Electrical Engineering, Faculty of Engineering, Khon Kaen University
- Department of Production Engineering, Faculty of Engineering, Maharakham University
- Department of Mechanical Engineering, Faculty of Engineering, Mahidol University
- Faculty of Engineering, South-East Asia University
- School of Electrical Engineering, Institute of Engineering, Suranaree University of Technology
- Schools of Logistics Management, Information Technology, Petrochemicals and Business Computers, Rayong Technical Collage

## **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 6 June 2012 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 5<sup>th</sup> consecutive year on 6 January 2012. Its both executives and employees jointly planted 200 trees within the compound of its factories to increase green area and create cool and pleasant atmosphere surrounding the factories.

- **Tree-Planting Activity in Collaboration with the Government Sector**

G Steel participated in the Planting to Revive the Land by Unity of Industry Project with the Department of Primary Industries and Mines. In this respect, the executives and employees jointly planted 250 trees in the factory area on 14 December 2012.

- **Mangrove Planting Project**

G Steel's "Mangrove Forest Conservation" Project has continued into the fourth year in 2012. On 20 August 2012, the volunteering employees jointly repaired the waste trap along the mangrove forest line and the boardwalk at the Rayong river mouth in Amphoe Muang Rayong, Rayong Province.

#### **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, on 18 September 2012 with 122 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 13-14 January 2012 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 Nongkrabog 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 30 November 2012.

## 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 continuingly since 2007, and improved the operation. 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 continuingly 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, e.g. 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 continuingly implemented, the injuries to employees and contractors, and accidents, tend to decrease continuingly.

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 Operating Results

The total turnover of the Company and its subsidiaries in 2012 is less than 2011 due to the annual maintenance shutdown and the selling prices of hot-rolled coils are lower than the cost of production. The import of a large volume of hot-rolled steels for the purpose of dumping results in the net loss in 2012 attributable mainly to the cost of sales, administrative expenses, other expenses and financial cost.

### Operating Results

- Sales and other revenues

In 2012, the total income of the Company and its subsidiaries was recorded at Baht 15,958 million, representing a decrease of Baht 15,872 or 50% from 2011. The sales revenue accounted for the 82% of the total income or Baht 13,107 million falling 57% from the previous year mainly due to the decrease in sales volume and average selling price. Other revenues representing 18% or Baht 2,851 million of the total income comprised the revenue from the reversal of bad and doubtful debts and loss from agreement termination, the profits from net foreign exchange rate and debt restructuring and other revenues.

In 2012, the Company saw the total income of Baht 7,358 million recording a fall of 43% from the previous year. In this respect, sales revenue of Baht 5,357 million made up 73% of the total income which decreased by 56% from 2011.

- Profit from net foreign exchange rate

The Company and its subsidiaries recorded the profit from net foreign exchange rate in 2012 at Baht 539 million which increased by 100% from 2011 and made up 3% of the total income. The increase in this revenue was a result of the appreciation of Thai Baht over to the US dollar.

- Profit from debt restructuring

In 2012, the Company and its subsidiaries gained profits of Baht 1,725 million from the debt structuring, showing an increase of 393% from 2011. This profit which represented 11% of the total income was attributable to the Company and its subsidiaries' debt restructuring and the Company's Bond Exchange Program 2.

- Selling expenses

In 2012, the Company and its subsidiaries incurred the selling expenses of Baht 112 million which represented a decrease of 60% from 2011. This expense made up 1% of the total income. The decreased selling expenses resulted from the fall in domestic sales volume.

- Administrative expenses

The administrative expenses of the Company and its subsidiaries in 2012 were recorded at Baht 3,032 million, or a 129% increase from 2011. This expense accounted for 19% of the total income. The increase in such expenses was attributable to the idle production expenses arising from the production volume which was less than the break-even point

and also the maintenance shutdown in the production line, both of which the expense were allocated in the partial production expense resulting in the administration expenses

- Other expenses

In 2012, the Company and its subsidiaries recorded the other expenses of Baht 2,788 million, or 829% increase from 2011. These expenses made up 17% of the total income and the cause of such increase was losses from the disposal of investment fund and the projected liabilities.

- Financial cost

In 2012, the financial cost of the Company and its subsidiaries was Baht 1,510 million, representing the increase of 58% from 2011. This cost made up 9% of the total income. The increase in this cost was attributable to the rising interest of the foreign accounts payable.

- Net profit/loss

In 2012, the Company and its subsidiaries incurred the net loss of Baht 5,860 million which increased by Baht 2,610 million or 80% from the loss in 2011. The net loss per share was Baht 0.23. The main factors contributable to such loss were the cost of sales, administrative expenses, other expenses and financial cost.

In accordance with the Company's financial statements, the net loss was recorded at Baht 3,363 million which represented an increase of Baht 855 million or 34% from the net loss of Baht 2,508 in 2011. Such increase was mainly attributable to the cost of sales, administrative expenses, other expenses and financial cost.

#### Financial Status

- Total Assets

As of the end of 2012, the Company and its subsidiaries recorded the total assets of Baht 38,055 million, or a decrease of Baht 6,068 million or 14% from 2011. The total assets comprised the current assets of Baht 1,669 million and the non-current assets of Baht 36,385 million.

- Cash and Equivalents

As of the end of 2012, the Company and its subsidiaries possessed cash and equivalents of Baht 54 million which represented a decrease of Baht 37 million or 41% from 2011. This decrease was caused by the Company's application of Baht 582 million cash in operating activities while merely gaining Baht 193 million and 352 million from investment and fund-raising activities, respectively. (details as in the cash flow statement)

- Accounts Receivable

As of the end of 2012, the Company and its subsidiaries had accounts receivable of Baht 1,271 million. After the deduction of the allowance for doubtful debts of Baht 1,271 million, the net accounts receivable was Baht 192 million. This figure represented the interim decrease of Baht 278 million which resulted from the offsetting between accounts payable and accounts receivables. With respect to the outstanding debt balance, the Company had been closely monitoring and expediting the collection of such debts.



With respect to the policy on reserve for allowance for doubtful debts, the determination of such allowance was based on the amount of doubtful debts. As of the end of 2012, the reserve for allowance for doubtful debts was appropriated at the amount of Baht 1,079 million, representing the decrease of Baht 19 million or 2% from 2011.

Table of Accounts Receivable from 2011 to 2012

Item	Consolidated Financial Statements			
	2012		2011	
	Value (Million Baht)	Ratio	Value (Million Baht)	Ratio
Not yet due	-	-	-	-
Overdue				
less than 3 months	-	-	232	15%
3 – 6 months	9	1%	1	-
6 – 12 months	-	-	28	2%
over 12 months	1,262	99%	1,307	83%
Total	1,271	100%	1,568	100%
Less allowance for doubtful debt	(1,079)	(85%)	(1,098)	(70%)
Total net accounts receivable	192	15%	470	30%

- Inventories

As of the end of 2012, the Company and its subsidiaries recorded the inventories of Baht 903 million, representing a decrease of Baht 3,673 million or 80% from 2011. The most decreased inventory item was the finished products (hot-rolled coils) which accounted for 4% of the inventories. The secondly decreased item was the raw materials (steel scraps and pig iron) which accounted for 20% of the inventories. Such decrease was attributed by the annual maintenance shutdown of the Company and G J Steel.

As of the end of 2012, the Company and its subsidiaries appropriated the reserve for the allowance for doubtful debt at the amount of Baht 199 million which decreased by Baht 323 million, or 62% from 2011. This reserve was provided for the finished product and was determined from the difference between the cost of finished hot-rolled coils and the expected proceeds from selling the maintenance equipment in consideration of the use of such equipment and the depreciated products based on their cost.

Table of Net Inventories as of the End of 2011 and 2012

Item	Consolidated Financial Statements			
	2012		2011	
	Value (Million Baht)	Ratio	Value (Million Baht)	Ratio
Finished products	42	4%	2,398	47%
Raw materials	220	20%	1,838	36%
Maintenance equipment	500	45%	519	10%
Consumables	169	15%	165	3%
Others	171	16%	178	3%
Total	1,102	100%	5,098	100%
Less allowance for diminution in value of inventories	(199)	(18%)	(522)	(10%)
Total net inventories	903	82%	4,576	90%

- Liquidity

As for the summary of significant financial ratios in 2010 until 2012, the liquidity ratios were 0.19, 0.20 and 0.07, respectively. Decreasing ratios were principally attributable to the lack of liquidity in working capital.

With respect to the profitability of the Company and its subsidiaries, it was evident that the gross profit margin of the Company and its subsidiaries in 2012 was lower than 2011. This was the consequence of the declining sales and the inclining cost of production. Not only the fall in sales caused the selling expenses to decrease but also, the increasing financial cost which arose from the interest of foreign accounts payable saw to the decrease in the net profit in 2012 when compared with 2011.

The debt-to-equity ratio decreasing from 2011 was a consequence of the Company and its subsidiaries' debt restructuring and the Company's Bond Exchange Program 2. The return on average assets which decreased from 2011 was attributable to the production shutdown of the Company and GJ Steel. However, the Company expected that the production and sales of products will resume in April 2013 and in the first quarter of 2013 for GJ Steel., than results on the said ratios and other liability in 2013

#### Sources of Funds

- Capital Structure

The shareholders' equity from 2010 to 2012 of the Company and its subsidiaries were Baht 17,710 million, 14,706 million and 14,018 million, respectively. The decreasing figures resulted from operating loss and discount on issue of ordinary shares under the debt restructuring projects of the Company and its subsidiaries and the Bond Exchange Program 2 of the Company, including the increase in paid-up capital from to such debt restructuring projects and Bond Exchange Program 2.

The Company and its subsidiaries reported the liabilities of Baht 27,736 million, 29,416 million and 24,037 million, respectively. The decrease in liabilities from 2011 was a result of the debt restructuring projects of the Company and its subsidiaries and the Bond Exchange Program 2 of the Company. In conclusion, in terms of the capital structure of the Company and its subsidiaries in 2012, the liabilities were larger than the shareholders' equity.

- Liabilities

As of the end of 2012, the Company and its subsidiaries reported the total liabilities of Baht 24,037 million, or a decrease of Baht 5,379 million or 18% from 2011. Such decrease was primarily attributable to the debt restructuring projects of the Company and its subsidiaries and the Bond Exchange Program 2 of the Company. The total liabilities comprised the current liabilities of Baht 22,519 million and the non-current liabilities of Baht 1,518 million.

- Shareholders' Equity

As of the end of 2012, the Company and its subsidiaries reported the total shareholders' equity of Baht 14,018 million, representing a decrease of Baht 689 million or 5% from 2011 due to the decrease in commutative profit and discount on the issue of ordinary shares which resulted from the Company's registration of the increase of paid-up capital to accommodate the debt restructuring projects of the Company and its subsidiaries as well as the Bond Exchange Program 2 of the Company.

# Audit Committee Report

## To the Shareholders of G Steel Public Company Limited

The Audit Committee of G Steel Public Company Limited was appointed by the Board of Directors with the consent of the 2010 Annual General Meeting of Shareholders on 29 April 2010. The term of office of the committee member shall be 3 years commencing from 29 April 2010 to 29 April 2013. The Audit Committee comprises the independent directors as follows:

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

On 21 January 2013, following the corporate restructuring, the new Audit Committee was appointed with the members as follows:

- |    |                |                     |                                 |
|----|----------------|---------------------|---------------------------------|
| 1. | Prof. Paichitr | Roajnavanich        | Chairman of the Audit Committee |
| 2. | Mr. Chainarong | Monthienvichienchai | Audit Committee Member          |
| 3. | Mr. Teerapol   | Pussadet            | Audit Committee Member.         |

Ms. Sophit Changaroon, the Internal Audit Department Manager, was appointed by the Audit Committee as secretary to the Audit Committee.

The duties of the Audit Committee are to review the internal audit report, approve the report or disclose information of the internal audit department, present matters to the Board of Directors for acknowledgement, consent or approval, coordinate with the accounting department or the management in case of trouble or hindrance, coordinate with the certified public accountant for acknowledgement of the audit results, notes and recommendations of such certified public accountant, then present to the Board of Directors for rectification and improvement of the business for the purpose of transparency and internal control system according to the international standard, and the business operations to be in accordance with the applicable laws and regulations, including to suggest the shareholders as to the appointment and the remuneration of the certified public accountant.

In the fiscal year ended 31 December 2012, the lack of financial liquidity continues as the consequence of global financial crisis in 2008 and also the lack of comment regarding the financial statement in notes of the certified public accountant acknowledged by the Audit Committee the notion on the business continuity competency of G Steel group. The Board of Directors has been putting efforts into resolving the issues all the time.

After the completion of financial statement as of 31 December 2012, newly issued shares and warrants were offered for the purpose of capital increase, new financial resources were sought, and the debt restructuring with the creditors (as a part of the rehabilitation plan prepared by an independent financial consulting company) was commenced. The rights offering of shares to the existing shareholders generated Baht 543 million proceeds. Meanwhile, the expert team of Alix Partners LLP was appointed as the management team for counsel and rehabilitation. This new management team reviewed the business operation

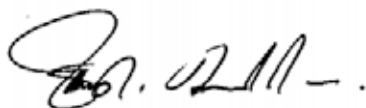
details and prepared the turnaround plan which has become effective on 5 February 2013 following the capital increase in proportion to the shareholding of the existing shareholders in January 2013. In addition, competent and knowledgeable persons were nominated as the directors so as to ensure the efficient business operation.

#### Audit Committee



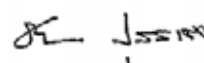
(Prof. Paichitr Rojanavanich)

Chairman of the Audit Committee



(Mr. Chainarong Monthienvichienchai)

Audit Committee Member



(Mr. Teerapol Pussadet)

Audit Committee Member

## Report on Board of Directors' Responsibility towards Financial Statements

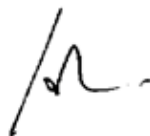
The Company's Board of Directors is responsible for Financial Statements of the Company and its subsidiaries including financial information appearing in the Annual Financial Report. Such Financial Statements are prepared in accordance with the generally accepted accounting standards with the selection 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 20 March 2013 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 2012 were reliable and adhered to the generally accepted accounting standard and practiced properly in accordance with related law and regulations.



(General Lertrat Ratanavanich )  
Chairman of the Board of Directors



( Ryuzo Ogino )  
Director

# Independent Auditor's Report

## To the Shareholders of G Steel Public Company Limited

I was engaged to audit the accompanying consolidated and separate financial statements of G Steel Public Company Limited and its subsidiaries (the "Group"), and of G Steel Public Company Limited (the "Company"), respectively, which comprise the consolidated and separate statement of financial position as at 31 December 2012, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Consolidated and Separate Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to issue a report on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### *Basis for Disclaimer of Opinion*

As described in Note 1.2 to the accompanying financial statements, certain circumstances give rise to substantial uncertainties over the Group and the Company's ability to continue as a going concern and to realise the carrying amounts of its assets. The Group and Company needs to generate sufficient cash flows to meet both its working capital requirements and its operating obligations. The Group and the Company has sought to meet these requirements and obligations by issuing new capital, seeking new financing and restructuring its debts owed to creditors as part of a turnaround plan which was developed by an outside consulting firm. Notes 1.2 and 48 to the accompanying financial statements describe the Group and the Company's progress with these initiatives, including a rights issue of the Company which has raised Baht 543 million and a rights issue and private placement of G J Steel Public Company Limited ("G J Steel")'s shares which have raised Baht 2,940 million and Baht 152 million, respectively, Baht 684 million of which has been used to repay the debt to a guarantor of the Company, whose shares in the Company were forced sold to repay debts on behalf of the Company, for the forced sale of its shares. The accompanying 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 Company's assets) should the Group and the Company be unable to generate sufficient cash flows and/or raise additional financing from other sources.

The outcome of the various initiatives taken to raise sufficient finance for the Group and Company to continue as going concerns are inherently uncertain and I was, accordingly, unable to satisfy myself as to whether and to what extent that the Group and the Company are able to continue as going concerns.



As disclosed in Note 11 to the accompanying financial statements, the Company and G J Steel's property, plant and equipment were evaluated for potential impairment as at 31 December 2012. The evaluation was based on assumptions and estimates for potential impairment by the Company and G J steel and the result of this analysis did not indicate any additional impairment in the carrying value of these assets as at 31 December 2012. However, during the year 2012, the Company and G J Steel halted the operations at their plants and, as the date of this report, have not resumed operations. In view of the significant uncertainties over the Group and the Company operations, there are pervasive uncertainties concerning 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, which as at 31 December 2012 amounted to Baht 35,699 million in the consolidated financial statements and Baht 16,489 million in the separate financial statements and the Company's investments in subsidiaries amounting to Baht 3,758 million, may have been impaired.

*Disclaimer of Opinion*

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the consolidated and separate financial statements.



(Nirand Lilamethwat)  
Certified Public Accountant  
Registration No. 2316

KPMG Phoomchai Audit Ltd.  
Bangkok  
1 March 2013

# Statements of financial position

## G Steel Public Company Limited and its Subsidiaries

	Note	Consolidated		Separate	
		financial statements		financial statements	
		31 December		31 December	
Assets		2012	2011	2012	2011
		(in Baht)			
Current assets					
Cash and cash equivalents	6, 43	53,505,991	91,315,638	19,375,827	58,392,456
Current investments	43	-	7,284,501	-	-
Trade accounts receivable	4, 5, 7	192,509,381	469,504,950	5,294,768	251,864,968
Amounts receivable from related parties	4	-	-	127,764,137	156,419,406
Receivable from related party for offsetting transaction	4	-	-	946,187,395	946,187,395
Inventories	8	902,930,887	4,575,809,937	528,415,085	2,555,199,365
Receivables from scrap sales	4, 5, 9	-	-	-	-
Other current assets	4, 10	520,503,242	533,984,010	281,408,046	310,121,179
Total current assets		1,669,449,501	5,677,899,036	1,908,445,258	4,278,184,769
Non-current assets					
Restricted deposits at financial institutions	11, 43	24,714,883	200,714,883	24,000,000	24,000,000
Investments in subsidiaries	12	-	-	3,758,306,685	2,773,824,246
Long-term loans to and receivables from others		70,506,489	70,506,489	-	-
Advance payment for purchases of property, plant and equipment	4, 13	210,000,000	210,000,000	-	-
Property, plant and equipment	14	35,698,622,513	37,584,644,178	16,488,965,470	17,443,998,680
Intangible assets	15	45,780,266	51,645,643	13,280,690	14,958,740
Other non-current assets	4, 16	335,663,916	327,657,916	133,531,448	129,684,914
Total non-current assets		36,385,288,067	38,445,169,109	20,418,084,293	20,386,466,580
Total assets		38,054,737,568	44,123,068,145	22,326,529,551	24,664,651,349

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

# Statements of financial position (Continued)

## G Steel Public Company Limited and its Subsidiaries

Liabilities and equity	Note	Consolidated financial statements 31 December		Separate financial statements 31 December	
		2012	2011	2012	2011
		(in Baht)			
<b>Current liabilities</b>					
Short-term loans from financial institutions	17	423,656,385	195,436,654	423,656,385	195,436,654
Trade accounts payable	4, 5, 18	7,653,496,056	14,526,940,029	5,557,433,965	10,077,237,872
Amount due to related parties	4	-	-	196,178,800	-
Current portion of liabilities under rehabilitation plan	24	614,669,369	394,308,954	297,409,079	18,137,017
Current portion of long-term loan from financial institutions	17	914,452,006	1,447,138,054	-	-
Current portion of long-term loan from other party		212,400,000	-	-	-
Current portion of bonds	17	477,432,891	1,094,482,584	477,432,891	1,094,482,584
Short-term loan from other parties	17	190,701,714	155,993,306	17,350,000	15,000,000
Loan from shareholder	17	937,583,609	432,622,676	750,000,000	432,622,676
Advances received from customers	4, 20	681,011,379	987,006,680	108,402,651	465,760,802
Other payables and accrued expenses	4, 19	1,926,342,645	2,752,552,149	810,255,266	1,406,875,811
Accrued interest expenses	21	3,375,340,294	3,132,094,383	1,805,156,921	1,601,832,700
Provisions	22	3,131,348,785	2,228,954,010	2,196,949,790	1,222,048,130
Other current liabilities	4, 23	1,980,598,516	1,528,366,760	1,243,572,509	835,751,694
<b>Total current liabilities</b>		<b>22,519,033,649</b>	<b>28,875,896,239</b>	<b>13,883,798,257</b>	<b>17,365,185,940</b>
<b>Non-current liabilities</b>					
Liabilities under rehabilitation plan - net of current portion	24	232,293,814	515,665,178	232,293,814	515,665,178
Trade accounts payable	18	259,378,525	-	259,378,525	-
Accrued interest expenses	21	280,477,156	-	280,477,156	-
Long term loan from other party	17	147,600,000	-	-	-
Finance lease liabilities	17	148,880	532,057	148,880	532,057
Provision	22	549,450,449	-	549,450,449	-
Other payables and accrued expenses	19	1,033,044	-	1,033,044	-
Employee benefit obligations	25	47,820,094	24,036,609	28,939,959	14,792,175
<b>Total non-current liabilities</b>		<b>1,518,201,962</b>	<b>540,233,844</b>	<b>1,351,721,827</b>	<b>530,989,410</b>
<b>Total liabilities</b>		<b>24,037,235,611</b>	<b>29,416,130,083</b>	<b>15,235,520,084</b>	<b>17,896,175,350</b>

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

# Statements of financial position (Continued)

## G Steel Public Company Limited and its Subsidiaries

	Note	Consolidated financial statements 31 December		Separate financial statements 31 December	
		2012	2011	2012	2011
<b>Liabilities and equity</b>					
<i>(in Baht)</i>					
<b>Equity</b>					
Share capital	26				
Authorised share capital		54,573,625,657	29,798,589,773	54,573,625,657	29,798,589,773
Issued and paid-up share capital		26,923,127,559	17,028,557,473	26,923,127,559	17,028,557,473
Warrants	28	11,352,373	-	11,352,373	-
Additional paid in capital:					
Share premium (discount)	26	(5,424,906,308)	795,133,358	(5,424,906,308)	795,133,358
Premium on capital reduction		206,307,094	206,307,094	206,307,094	206,307,094
Retained earnings (deficits)					
Appropriated:					
Legal reserve	27	763,976,886	763,976,886	763,976,886	763,976,886
Unappropriated		(15,897,978,878)	(11,285,484,040)	(15,388,848,137)	(12,025,498,812)
Own shares held by a subsidiary	29	(162,800,000)	-	-	-
<b>Equity attributable to owners of the Company</b>		<b>6,419,078,726</b>	<b>7,508,490,771</b>	<b>7,091,009,467</b>	<b>6,768,475,999</b>
Non-controlling interests		7,598,423,231	7,198,447,291	-	-
<b>Total equity</b>		<b>14,017,501,957</b>	<b>14,706,938,062</b>	<b>7,091,009,467</b>	<b>6,768,475,999</b>
<b>Total liabilities and equity</b>		<b>38,054,737,568</b>	<b>44,123,068,145</b>	<b>22,326,529,551</b>	<b>24,664,651,349</b>

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

# Statement of comprehensive income

## G Steel Public Company Limited and its Subsidiaries

	Note	Consolidated		Separate	
		financial statements		financial statements	
		For the year ended 31 December		For the year ended 31 December	
		2012	2011	2012	2011
(in Baht)					
<b>Income</b>					
Revenue from sale of goods	4, 5, 30	13,106,648,655	30,525,122,417	5,357,088,927	12,258,015,780
Reversal of bad and doubtful debts expense	35	22,904,169	565,667,265	-	64,003,613
Reversal of loss on devaluation of inventories	8	323,013,503	-	332,128,381	-
Reversal of provision for loss on purchase orders for undelivered raw material	22	-	-	-	63,043,415
Reversal of loss on impairment of assets	36	-	46,456,275	-	-
Reversal of provision for loss on contract termination	22	746,250	61,599,386	746,250	61,599,386
Net foreign exchange gain		538,602,361	-	326,461,934	-
Gain from debt restructuring	17, 31	1,725,117,017	349,991,856	1,139,338,962	349,991,856
Other income	4, 5	240,859,872	280,876,105	202,161,689	182,959,724
<b>Total income</b>		<b>15,957,891,827</b>	<b>31,829,713,304</b>	<b>7,357,926,143</b>	<b>12,979,613,774</b>
<b>Expenses</b>					
Cost of sale of goods	4, 5, 8	14,206,619,513	31,118,637,648	6,020,135,629	13,424,666,299
Selling expenses	5, 32	111,538,213	279,947,754	36,537,252	135,451,819
Administrative expenses	4, 5, 33	3,032,107,572	1,322,033,382	1,730,985,214	624,097,046
Loss on confirmed purchase orders for undelivered raw materials	22	163,117,587	83,116,097	122,405,696	-
Bad and doubtful debts expense	35	-	-	275,801,428	-
Loss on devaluation of inventories		-	251,661,780	-	244,321,028
Loss on impairment of assets	36	-	-	455,078,252	246,098,126
Net foreign exchange loss		-	771,985,083	-	389,617,615
Other expenses	37	2,788,369,633	299,921,240	1,395,619,451	209,569,292
Income Tax expense		5,463,201	-	-	-
Finance costs	39	1,510,464,950	952,782,671	684,712,546	213,840,160
<b>Total expenses</b>		<b>21,817,680,669</b>	<b>35,080,085,655</b>	<b>10,721,275,468</b>	<b>15,487,661,385</b>
<b>Loss for the year</b>		<b>(5,859,788,842)</b>	<b>(3,250,372,351)</b>	<b>(3,363,349,325)</b>	<b>(2,508,047,611)</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>(5,859,788,842)</b>	<b>(3,250,372,351)</b>	<b>(3,363,349,325)</b>	<b>(2,508,047,611)</b>
<b>Loss attributable to :</b>					
Owners of the Company		(4,612,494,838)	(2,525,543,408)	(3,363,349,325)	(2,508,047,611)
Non-controlling interests		(1,247,294,004)	(724,828,943)	-	-
<b>Loss for the year</b>		<b>(5,859,788,842)</b>	<b>(3,250,372,351)</b>	<b>(3,363,349,325)</b>	<b>(2,508,047,611)</b>
<b>Loss per share</b>					
Basic loss per share (in Baht)	42	(0.23)	(0.15)	(0.16)	(0.15)

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

# Statement of changes in equity

## G Steel Public Company Limited and its Subsidiaries

Consolidated financial statements											
	Note	Issued and paid-up share capital	Warrants	Surplus on ordinary shares		Retained earnings (deficits)		Own shares held by the subsidiary	Equity attributable to owners of the Company	Non-controlling interests	Total equity
				Share premium (discount)	Premium on capital reduction	Legal reserve	Unappropriated reserve <i>(in Baht)</i>				
Year ended 31 December 2011											
Balance as at 1 January 2011											
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners of the Company											
Conversion of debts to share capital		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
Total contributions by and distributions to owners of the Company											
	26	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											
Loss for the period		-	-	-	-	-	(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
Year ended 31 December 2012											
Balance as at 1 January 2012											
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners of the Company											
Issue of warrants	28	-	11,352,373	-	-	-	-	-	11,352,373	-	11,352,373
Conversion of debts to share capital	26	9,894,570,086	-	(6,220,039,666)	-	-	-	(162,800,000)	3,511,730,420	-	3,511,730,420
Total contributions by and distributions to owners of the Company											
		9,894,570,086	11,352,373	(6,220,039,666)	-	-	-	(162,800,000)	3,523,082,793	-	3,523,082,793
Changes in ownership interests in subsidiaries											
Sale of shares in subsidiary to non-controlling interests	12	-	-	-	-	-	-	-	-	1,647,269,944	1,647,269,944
Total changes in ownership interests in subsidiaries											
		-	-	-	-	-	-	-	-	1,647,269,944	1,647,269,944
Total transactions with owners, recorded directly in equity											
		9,894,570,086	11,352,373	(6,220,039,666)	-	-	-	(162,800,000)	3,523,082,793	1,647,269,944	5,170,352,737
Comprehensive income for the year											
Loss for the period		-	-	-	-	-	(4,612,494,838)	-	(4,612,494,838)	(1,247,294,004)	(5,859,788,842)
Other comprehensive income											
		-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year											
		-	-	-	-	-	(4,612,494,838)	-	(4,612,494,838)	(1,247,294,004)	(5,859,788,842)
Balance as at 31 December 2012											
		26,923,127,559	11,352,373	(5,424,906,308)	206,307,094	763,976,886	(15,897,978,878)	(162,800,000)	6,419,078,726	7,598,423,231	14,017,501,957

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

## Statement of changes in equity (continued)

### G Steel Public Company Limited and its Subsidiaries

	Note	Issued and paid-up share capital	Warrants	Separate financial statements				Total equity
				Surplus on ordinary shares		Retained earnings (deficits)		
				Share premium (discount)	Premium on capital reduction <i>(in Baht)</i>	Legal reserve	Unappropriated	
Year ended 31 December 2011								
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	26	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								
Loss for the period		-	-	-	-	-	(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
Year ended 31 December 2012								
Balance at 1 January 2012		17,028,557,473	-	795,133,358	206,307,094	763,976,886	(12,025,498,812)	6,768,475,999
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners of the Company								
Issue of warrants	28	-	11,352,373	-	-	-	-	11,352,373
Conversion of debts to share capital	26	9,894,570,086	-	(6,220,039,666)	-	-	-	3,674,530,420
Total contributions by and distributions to owners of the Company		9,894,570,086	11,352,373	(6,220,039,666)	-	-	-	3,685,882,793
Total transactions with owners, recorded directly in equity		9,894,570,086	11,352,373	(6,220,039,666)	-	-	-	3,685,882,793
Comprehensive income for the year								
Loss for the period		-	-	-	-	-	(3,363,349,325)	(3,363,349,325)
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-	(3,363,349,325)	(3,363,349,325)
Balance at 31 December 2012		26,923,127,559	11,352,373	(5,424,906,308)	206,307,094	763,976,886	(15,388,848,137)	7,091,009,467

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



# Statement of cash flows

## G Steel Public Company Limited and its Subsidiaries

		Consolidated		Separate	
		financial statements		financial statements	
		For the year ended 31 December		For the year ended 31 December	
Note		2012	2011	2012	2011
		(in Baht)			
<b>Cash flows from operating activities</b>					
Loss for the year		(5,859,788,842)	(3,250,372,351)	(3,363,349,325)	(2,508,047,611)
<b>Adjustments for</b>					
Depreciation and amortisation		1,942,364,612	2,122,854,763	961,183,230	1,071,489,142
Unrealised (gain) loss on exchange		(447,642,520)	685,533,746	(284,019,854)	394,273,018
(Reversal of) loss on devaluation of inventories		(323,013,503)	51,967,737	(332,128,381)	244,321,028
(Reversal of) loss on confirmed purchase orders for raw material		163,117,586	83,116,098	122,405,696	(63,043,414)
Gain from debt restructuring	31	(1,725,124,717)	(349,991,856)	(1,139,338,962)	(349,991,856)
(Reversal of) bad and doubtful debts expense	35	(22,904,165)	(565,667,265)	275,801,428	(64,003,613)
(Reversal of) loss on impairment of assets	36	-	(46,456,275)	-	246,098,126
Loss on impairment in value of investment in subsidiary	36	-	-	455,078,252	-
Advisory fee for debt restructuring	37	196,178,800	-	196,178,800	-
Loss on sale of investment in subsidiaries	37	1,032,058,918	-	-	-
Loss on shareholder claims	1.3(d), 37	473,909,238	-	-	-
Provision for court case claim	37	733,246,258	-	243,099,867	-
Provision for tax - related liabilities	37	352,976,418	299,921,240	175,877,857	209,569,292
Provision for a gurantee of subsidiary	4, 37	-	-	780,462,927	-
Finance costs	39	1,510,464,950	952,782,671	684,712,546	213,840,160
Interest income		(5,355,394)	(3,336,065)	(77,725,295)	(75,416,841)
Reversal of provision for loss on contract termination		(746,250)	(61,599,386)	(746,250)	(61,599,386)
(Gain) loss from disposal of assets		3,382,180	(1,631,474)	3,375,372	(1,653,104)
Employee benefit obligations	25	23,783,485	24,036,609	14,147,784	14,792,175
		(1,953,092,946)	(58,841,808)	(1,284,984,308)	(729,372,884)
<b>Changes in operating assets and liabilities</b>					
Trade accounts receivable		4,976,285	103,956,567	24,681,404	84,170,358
Amount due from related parties		-	-	12,713,489	2,355,324
Inventories		3,995,892,554	(1,017,637,570)	2,358,912,662	(227,103,901)
Receivables from scrap sales		655,094	6,800,000	655,094	6,800,000
Other current assets		(3,122,592)	55,054,272	99,889,218	(17,201,289)
Other non-current assets		(71,101,978)	(135,673,261)	(21,690,472)	(46,835,830)
Trade accounts payable		(3,142,132,337)	2,192,884,336	(1,870,993,926)	670,694,550
Advances received from customers		214,072,805	(990,432,911)	64,575,879	(132,760,472)
Other payable accrued expenses		309,206,778	186,736,003	456,589,854	521,911,089
Other current liabilities		62,489,738	18,289,337	34,764,062	46,109,645
Provision for tax-related liabilities paid		-	(17,218,355)	-	-
Income tax paid		(125,604)	(1,861,106)	(125,604)	(914,949)
<b>Net cash flows provided by (used in) operating activities</b>		<b>(582,282,203)</b>	<b>342,055,504</b>	<b>(125,012,648)</b>	<b>177,851,641</b>

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

# Statement of cash flows (Continued)

## G Steel Public Company Limited and its Subsidiaries

	Consolidated		Separate	
	financial statements		financial statements	
	For the year ended 31 December		For the year ended 31 December	
Note	2012	2011	2012	2011
	(in Baht)			
<b>Cash flows from investing activities</b>				
Interest received	5,422,699	3,255,566	1,019,174	23,157,205
Decrease (increase) in current investment	7,284,501	(2,041,537)	-	-
Decrease in restricted deposits				
at financial institutions	176,000,000	3,493,703	-	3,493,574
Purchase of property, plant and equipment	(6,954,455)	(28,497,823)	(7,396,459)	(24,746,823)
Proceeds from sales of property, plant and equipment	11,082,192	1,653,127	11,082,192	1,653,127
Purchase of intangible assets	-	(36,493)	-	(36,493)
Proceeds from receivable from				
related party for offsetting transaction	-	-	-	11,693,942
Loans to subsidiary	-	-	(11,058,706)	(13,790,000)
Advance for purchase of property, plant and equipment	-	(58,000,000)	-	-
Payment for investing in subsidiaries	-	-	(1,999,945)	-
<b>Net cash flows provided by (used in) investing activities</b>	<b>192,834,937</b>	<b>(80,173,457)</b>	<b>(8,353,744)</b>	<b>1,424,532</b>
<b>Cash flows from financing activities</b>				
Finance costs paid	(134,755,808)	(276,083,400)	(29,364,372)	(119,973,907)
Payment of liabilities under rehabilitation plan	(24,484,798)	(4,562,834)	(4,099,303)	(4,562,834)
Decrease in short-term loans from financial institutions	(4,036,275)	(13,996,638)	(4,036,275)	(13,996,638)
Proceeds from short-term loans from related parties	30,000,000	-	71,990,000	-
Repayment of short-term loans from related parties	-	-	(13,289,603)	-
Proceeds from short-term loans from other parties	159,000,000	502,642,350	159,000,000	-
Repayment of short-term loans from other parties	(45,167,078)	(503,893,726)	(96,650,000)	-
Proceeds from long-term loans from other parties	360,000,000	-	-	-
Repayment of finance lease liabilities	-	(528,415)	(553,056)	(528,415)
Proceeds from issue of ordinary shares of subsidiary to			-	
non-controlling interests	-	50,206,283	-	-
Proceeds from warrants issued	11,352,373	-	11,352,373	-
<b>Net cash flows provided by (used in) financing activities</b>	<b>351,908,414</b>	<b>(246,216,380)</b>	<b>94,349,764</b>	<b>(139,061,794)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(37,538,852)</b>	<b>15,665,667</b>	<b>(39,016,629)</b>	<b>40,214,379</b>
Cash and cash equivalents at 1 January	91,315,638	75,183,363	58,392,456	18,178,077
Effect from exchange rate changes on balances				
held in foreign currencies	(270,796)	466,608	-	-
<b>Cash and cash equivalents at 31 December</b>	<b>53,505,990</b>	<b>91,315,638</b>	<b>19,375,827</b>	<b>58,392,456</b>

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

# Statement of cash flows (Continued)

## G Steel Public Company Limited and its Subsidiaries

		Consolidated		Separate	
		financial statements		financial statements	
		For the year ended 31 December		For the year ended 31 December	
	Note	2012	2011	2012	2011
		(in Baht)			
<i>Non-cash transactions</i>					
Conversion of the Company debts to equity					
- debt restructuring program	1.3(a), 26	1,916,166,074	-	1,916,166,074	-
Conversion of the Company debts to equity					
- the Company's Bond Exchange Program No. 2	1.3(b), 26	320,803,600	-	320,803,600	-
Conversion of G J Steel's debts to equity	1.3(c), 26	871,381,946	-	-	-
Transfer short-term loans from other parties,					
trade accounts payable and accrued interest expenses					
to provisions	1.3(b), 31	549,450,448	-	549,450,448	-
Issue of ordinary shares to pay for consulting fee					
(including VAT)	26, 37	196,178,800	-	196,178,800	-
Issue share capital to purchase investment in subsidiary	12, 26	-	-	1,241,381,946	-
Conversion of debt to share capital	17, 26	-	196,870,419	-	196,870,419
Transfer current portion of long-term loan					
from financial institution to loan from shareholders	1.3(d)	238,251,695	-	-	-
Transfer of loan from shareholder and accrued interest					
expense to other equity	1.3(d)	-	432,622,676	-	-
Transfer guarantee obligation to other equity	1.3(d)	-	-	-	432,622,676
Offset of enforced sale of investment in subsidiary					
with liability from financial institution	12	615,211,025	-	-	-
Offset of trade accounts receivable and due from					
related party with short-term loan from other parties,					
advances received from customers, accrued					
interest expense, other current liabilities and					
trade accounts payable	4(c), 5	314,337,639	615,411,777	230,760,463	384,554,792
Transfer of other payable and accrued interest					
expense to loan from financial institution	17	237,801,000	-	237,801,000	-
Offset of receivables from scrap sales with liabilities					
under the rehabilitation plan, provisions					
and other current liabilities	9, 22	-	15,745,893	-	15,745,893
Transfer of trade accounts receivable to amounts					
receivable from related parties	4(c), 5	-	-	-	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

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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 1 March 2013.

## 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

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

As at 31 December 2012, the Company’s major shareholders were Superior Overseas (Thailand) Co., Ltd. (7.32% shareholding) (“Superior”), were incorporated in Thailand and Khunying Patama Leeswadtrakul Group (5.51% 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 2012 and 2011 were as follows:

Name of the entity	Type of business	Country of incorporation	Ownership interest (%)	
			2012	2011
<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. 5.55 %)	Manufacture and distribution of hot rolled coil steel products	Thailand	27.88	43.90
GS Notes Holding Company Limited ("GS Notes Co")	Special-purpose restructuring entity	Thailand	99.99	99.99
GS Securities Holdings Co., Ltd ("GS Securities") (Registered incorporation on 27 April 2012)	Special-purpose restructuring entity	Thailand	99.99	-
GS Notes Holdings 2 Co., Ltd ("GS Notes 2") (Registered incorporation on 12 July 2012)	Special-purpose restructuring entity	Thailand	99.99	-

Name of the entity	Type of business	Country of incorporation	Ownership interest (%)	
			2012	2011
<i>Indirect subsidiaries</i>				
Oriental Access Co., Ltd. (“OAC”) (held by SPH 99.98%)	Consulting service and investing	Thailand	99.97	99.97

Although the Company’s shareholding in G J Steel as at 31 December 2012 decreased to 27.88% shareholding, the Company continues to consolidate G J Steel because the Company retains the power to govern G J Steel through its appointed representatives.

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

## 1.2 Going concern

The Group and the Company made losses for the year ended 31 December 2012 of Baht 5,860 million and Baht 3,363 million, respectively (2011: Baht 3,250 million and Baht 2,508 million, respectively). As at 31 December 2012 net current liabilities exceeded net current assets by Baht 20,850 million and Baht 11,975 million, respectively (2011: Baht 23,197 million and Baht 13,087 million, respectively), with many of its trade accounts payable to suppliers being significantly overdue for payment. During 2012 and 2011, 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, financial institutions and liabilities under its rehabilitation plan.

During the year ended 31 December 2012, the Company and G J Steel halted the operations at their plants and used this opportunity to carry out annual maintenance of the plants. As at the date of this report, the plants have not resumed operations.

These circumstances raise concern on the Group’s and the Company’s ability to continue as going concerns and to realise the carrying amounts of their assets. The Group and the Company needs to generate sufficient cash flows to meet both their working capital requirements and their operating obligations. The Group and the Company plan to address the liquidity problem by increasing share capital, finding additional credit facilities from financial institutions both domestically and abroad, refinancing the existing debts with the creditors, negotiating improved terms of payment with trade creditors, improving collection of receivables, increasing cash sales or receiving in advance.

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 Company’s or the 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 it to continue as going concerns.

### 1.3 Refinancing and restructuring

#### (a) Trade Creditor Restructuring

##### *2011 Debt Restructuring Program*

##### *Major Trade Creditors Restructuring*

The Group has negotiated repayment schedules for the overdue debt owed to creditors with claims in excess of USD 2.5 million each (“Major Trade Creditors”). The Company has five Major Trade Creditors with aggregated claims in excess of USD 225 million (Baht 7,178 million) as at 31 December 2011. During the year 2012, the Company increased in accrued interest amounting to USD 15 million. In addition, refer to “2012 Debt Restructuring Program”, one of the Major Trade Creditors agreed to convert their net outstanding receivables of USD 44 million to exchange with the Company’s ordinary shares and agreed to extend the debts repayment schedule. As a result, the Company has overdue balances with Major Trade Creditors total amount of USD 196 million (Baht 6,026 million) as at 31 December 2012.

G J Steel has three Major Trade Creditors with aggregated claims of USD 68 million (Baht 2,103 million) as at 31 December 2012 (*31 December 2011: USD 63 million (Baht 2,005 million)*).

The Group has defaulted on the negotiated repayment schedules of four Major Trade Creditors. As a consequence of this default the outstanding balances are payable on demand and accrue interest at a rate of 7.5% annually from the date of default.

##### *Other Trade Creditors Restructuring*

The Company has negotiated repayment schedules for overdue debt owed to creditors other than the Major Trade Creditors (“Other Trade Creditors”) amounting to Baht 204 million as at 31 December 2011. During the year ended 31 December 2012, the Company has negotiated additional repayment schedules for overdue debt owed to Other Trade Creditors amounting to Baht 74 million. In addition, refer to “2012 Debt Restructuring Program”, an Other Trade Creditor agreed to convert its net outstanding receivables from the Company amounting to Baht 24 million for the Company’s ordinary shares. As a result, as at 31 December 2012 the Company had total overdue balances of Baht 247 million.

G J Steel has negotiated repayment schedules for overdue debt owed to Other Trade Creditors amounting to Baht 1,107 million as at 31 December 2011. During the year ended 31 December 2012 G J Steel has negotiated additional repayment schedules for overdue debt owed to Other Trade Creditors amounting to Baht 12 million. In addition, an Other Trade Creditor exchanged its outstanding receivables from G J Steel amounting to Baht 1,041 million for G J Steel’s debentures. As a result, as at 31 December 2012 G J Steel had total overdue balances of Baht 78 million.

Refer to Note 31, Gain from debt restructuring for details of G J Steel’s debentures issued and Debt restructuring program.

As described in the details below, during the year ended 31 December 2012, the Company issued ordinary shares to the creditors of the Company and G J Steel to support “2012 Debt Restructuring Program” and G J Steel’s debt restructuring program.



### ***2012 Debt Restructuring Program***

During the year ended 31 December 2012, fifteen creditors agreed to convert their net outstanding receivables of Baht 2,915 million to exchange with the Company's ordinary shares of 5,179 million shares at a par value of Baht 1 per share.

Under the terms of the compromise agreement one of the fifteen creditors, which is also one of the Major Trade Creditors, agreed to extend the debts repayment schedule amounting to USD 15.44 million (equivalent to Baht 475 million) in accordance with the following repayment schedule;

- USD 1.54 million before 29 September 2013
- USD 3.09 million in four equal quarterly installments starting from 30 September 2014
- USD 3.09 million in four equal quarterly installments starting from 30 September 2015
- USD 3.86 million in four equal quarterly installments starting from 30 September 2016
- USD 3.86 million in four equal quarterly installments starting from 30 September 2017

This compromise agreement has a condition that in case of events of default, an amount of USD 11 million (equivalent to Baht 340 million) which the creditor forgave will be reversed and become immediately due.

Another of the fifteen creditors agreed to convert its net outstanding receivables of Baht 60 million in exchange for 120 million ordinary shares at a par value of Baht 1 per share. The Company agreed to guarantee that after 12 months, if the closing price of the Company's shares is less than Baht 0.50 per share less than 15 days, the Company will pay to the creditor the difference between Baht 0.50 per share and the average closing price during the previous 12 months.

On 13 December 2012, the Company has negotiated addition repayment schedules for overdue debt owed to a creditor amounting to USD 3.3 million (equivalent to Baht 102 million). This compromise agreement has a condition that in case of events of default, an amount of USD 0.7 million (equivalent to Baht 19 million) which the creditor forgave will be reversed and become immediately due.

Because, as described above, the restructuring of the debt owed to these three creditors has not yet become irrevocable, the Company did not recognize Baht 549 million as gain from debt restructuring. The future potential gain was recognised as provision for deferred difference from debt restructuring.

Refer to Note 26, Share capital, for the details of shares issued under the Company's debt restructuring program and Note 31, Gain from the Company's debt restructuring program.

### ***(b) Bonds***

#### ***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 the Bonds back to current liabilities in the statement of financial position as at 31 December 2011.

### *The Company's Bonds Exchange Program No.2*

The Company launched Bonds Exchange Program No.2 for the outstanding bonds of the Company amounting to USD 34 million on 16 July 2012. The offer can be summarized as follows;

- Accrued interest on the Bonds is waved
- Bondholders would be entitled to receive shares in the Company using a ratio of 50 Company shares for each USD 1 of Bond face value redeemed

Under the Company's Bond Exchange Program No. 2, on 28 September 2012, GS Notes 2 allocated and issued 94 million ordinary shares with a par value of Baht 5 per share to the Company's Bondholders in exchange for the Company's Bonds of USD 18.9 million (equivalent to Baht 584 million) and waived accrued interest of Baht 59 million and at the same date the Bondholders swapped 94 million ordinary shares of GS Notes 2 with 943 million shares of the Company.

Refer to Note 26, Share capital, for the details of shares issued to the Bondholders and Note 31, Gain from the Company's Bonds Exchange Program No.2.

### **(c) *G J Steel's debt restructuring program***

#### *Debentures issued and debt restructuring program*

On 2 July 2012, G J Steel issued unsecured debentures of G J Steel due in 2014 to seventeen creditors in the amount of Baht 1,616 million under the debt restructuring program, according to the approval of 2012 Annual General Meeting of Shareholders held on 30 April 2012, which approved the issue and allocation of unsecured debentures for an amount not exceeding Baht 3,000 million.

Seventeen creditors exchanged their outstanding receivables from G J Steel amounting to Baht 1,865 million for G J Steel's debentures amounting to Baht 1,616 million.

On 2 July 2012, GS Securities issued 157.5 million ordinary shares with a par value of Baht 10 per share, totalling Baht 1,575.4 million to exchange with G J Steel's debentures.

The remainder of the available debentures amounting to Baht 1,384 million will be used for the debt restructuring program in the future.

On 2 July 2012, the Company issued 3,150.8 million ordinary shares with par value of Baht 1 per share, at an offering price of Baht 0.50 per share, totalling Baht 1,575.4 million in exchange for 157.5 million ordinary shares of GS Securities with par value Baht 10 per share, totalling Baht 1,575.4 million to support G J Steel's debt restructuring program.

On 2 November 2012, G J Steel entered into a compromise agreement with a creditor to exchange their outstanding receivables from G J Steel amounting to Baht 115 million for debentures amounting to Baht 115 million which bears interest at 3% per annum. The draw down principal is repayable in two years.

Later on 9 November 2012, GS Securities issued 11.45 million ordinary shares with a par value of Baht 10 per share, totalling Baht 115 million to exchange with those debentures.

After that, the Company issued 229 million ordinary shares with par value Baht 1 per share, at an offering price of Baht 0.50 per share, totalling Baht 115 million in exchange for the 11.45 million ordinary shares with a par value of Baht 10 per share of GS Securities.

Refer to Note 26, Share capital, for the details of shares issued under G J Steel's debt restructuring program and Note 31, Gain from G J Steel's debt restructuring program.

(d) *Shareholders' pledges and loans*

The outstanding balance of loans from shareholders as at 31 December were as follows

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Loans from Shareholder 1	750	433	750	433
Loans from Shareholder 2	188	-	-	-
	<b>938</b>	<b>433</b>	<b>750</b>	<b>433</b>

Movements of loans from shareholders for the years ended 31 December were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
<b><i>Loans from shareholders</i></b>				
As at 1 January	433	-	433	-
Increase from				
forced sale transaction				
Shareholder 1	50	433	50	433
Shareholder 2	188	-	-	-
	<u>238</u>	<u>433</u>	<u>50</u>	<u>433</u>
Additional recorded based on				
claim from Shareholder 1	474	-	474	-
	<u>1,145</u>	<u>433</u>	<u>957</u>	<u>433</u>
Decrease	<u>(207)</u>	<u>-</u>	<u>(207)</u>	<u>-</u>
<b>As at 31 December</b>	<b>938</b>	<b>433</b>	<b>750</b>	<b>433</b>

The historical details of transactions are described in the notes following below;

- 1 The Lender of OAC's loan has advised the Company that the collateral has been partly realised as follows:

	<b>Shares</b> <i>(in million share)</i>
Pledged 30 August 2006	1,000
Pledged 16 September 2008	551
Liquidated during 2009	<u>(850)</u>
Balance 31 December 2011	701
Liquidated during 2012	<u>(701)</u>
<b>Balance 31 December 2012</b>	<b>-</b>

As a consequence of the liquidation of the pledged shares of the two shareholders. The Group has incurred an obligation to compensate the shareholders. This obligation is initially recognised in the statement of financial position as part of Loans from shareholders.

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 from OAC in full (Baht 433 million). Subsequently, during the year 2011, the Company attempted to register the issuance of those 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 consolidated and separate statements of financial positions as at 31 December 2011.

During the year 2012, the Group recognized as additional loans from shareholder an amount of Baht 238 million as a result of the additional liquidated pledged shares.

- 2 On 17 July 2012, Shareholder 1 filed a case with the South Bangkok Civil Court to demand that OAC and/or G Steel pay the debt on guarantee obligation. The case was negotiated and the Court ruled the compromise reached as binding on the date of 25 October 2012. OAC agreed to pay a final compensation for total amount of Baht 1,030 million, being the market value of the shares when they were pledged in 2006, by two installments:
  - The first installment Baht 200 million was to be paid by G Steel's shares at the amount 400 million shares (based on G Steel's share price at Baht 0.50 per share under the compromise reached at the Court) before 30 November 2012.
  - The second installment Baht 830 million was paid by G Steel's shares at the amount 1,660 million or cash before 30 April 2013.

As the result in above, the Group and the Company recognised as additional loans from shareholder an amount of Baht 474 million as a result of Shareholder 1 claim.

- 3 Later on 26 November 2012, OAC paid to Shareholder 1 by G Steel's shares in the amount of 560 million shares valued at Baht 207 million.

As a result of the above, the outstanding balance of the loan in default amounts to Baht 938 million in the consolidated and separate statements as at 31 December 2012 (2011: Baht 433 million).

Refer to Note 22, Provisions, for details of provision for court case relating with the shareholder claim from shareholder 2 and Note 48, Events after the reporting period, for details of redemption of G J Steel's debentures and indemnification of the Company shareholder and Shareholder 2 claim.

**(e) Increase and allocation of newly issued shares**

*The Company*

The Board of Directors' Meeting held on 14 November 2012 passed the following resolutions:

- Approve the amendment to certain terms and conditions of the rights offering of a maximum of 2,400 million new shares.
- Approve the additional debt-to-equity conversion with eleven creditors approved under the Company's debt restructuring program.
- Allocation of a maximum of 5,308 million newly issued ordinary shares in the Company at the par value of Baht 1 per share (which was previously approved by the Extraordinary General Meeting of Shareholders No. 1/2012) to the additional creditors of the Company through the debt-to-equity conversion plan at the price of Baht 0.50 per share

*G J Steel*

The Board of Directors of G J Steel' Meeting held on 14 November 2012 passed the following resolutions:

- Reduction of G J Steel's authorised share capital by 3,234 million shares with a par value of Baht 0.69 per share.
- Increase of G J Steel's authorised share capital by 132,947 million shares with a par value of Baht 0.69 per share to offer to existing shareholders, the Company and/or its subsidiaries and the financial advisor supporting G J Steel's debt restructuring program.
- Allocation of the G J Steel's newly issued share capital as follows:
  - Up to 59,855 million shares to existing shareholders according to proportion of shareholding (Rights offering).
  - Up to 23,942 million shares to support the exercise of warrants which were issued to existing shareholders according to proportion of shareholding (Rights offering).
  - Up to 28,503 million shares to the Company and/or its subsidiaries under a private placement offering. The Company and/or its subsidiaries will make payment for G J Steel's newly issued shares by conversion of debts to equity and/or pay by cash.
  - Up to 11,401 million shares to support the exercise of warrants issued to the Company and/or its subsidiaries.
  - Up to 1,600 million shares at offering price of Baht 0.08 per share to Brooker Group Public Company Limited in consideration of the advice and expenses provided for the successful execution of G J Steel's debt restructuring program.

Refer to Note 48, Events after the reporting period for details of the Company's and G J Steel's EGM no.1/2013 and the results of sale of the Company's and G J Steel's newly issued shares.

#### **(f) Arrangement of New Financing Facility**

On 6 August 2012, the Company and G J Steel signed a mandate letter with Standard Bank Plc (“SB Plc”), appointing SB Plc as mandated lead arranger of an up to USD 50 million (approximately Baht 1,600 million) raw material supply facility (the “RMSF”) which was subsequently cancelled.

Refer to Note 48, Events after the reporting period, for details of the termination of the arrangement of a new financing facility between the Company, G J Steel and SB Plc. and the new arrangement of financing facilities with Chimaera Capital Markets (“CCM”).

#### ***Management’s conclusion***

The directors are confident that a new financing deal will be completed in the first half of 2013 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 will be successfully completed, and the turnaround arrangements in place, in the first half of 2013.

#### **1.4 Shareholder guarantee**

In an effort to facilitate the recapitalisation 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 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 2012, the gross receivables due to the Company was Baht 485 million (2011: Baht 498 million) and due to G J Steel was Baht 417 million (2011: Baht 424 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. This guarantee expires on 17 May 2013
- Additionally, in order to facilitate a complete recapitalisation 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 years endings on 17 May 2015.



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.

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 recognise any asset or benefit to the Group in its financial statements in respect of this guarantee and pledge. Upon the earlier of, the repayment by those accounts receivable or the execution of the guarantee or pledge, the Company and G J Steel will reverse the allowances held in respect of these doubtful debts in full or in part.

## **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.

In addition to the above FAP Announcements, the FAP has issued during 2012 a number of 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 7 & 9	Allowance for doubtful accounts
Note 8	Allowance for devaluation of inventories
Note 12	Allowance for impairment of investment in subsidiaries
Note 13	Allowance for impairment of advance payment for purchases of property, plant and equipment
Note 14	Appraisal valuations and allowance for impairment of property, plant and equipment and impairment
Notes 22,45 & 46	Provisions, Litigations and Contingent liabilities
Note 25	Measurement of defined benefit obligations
Note 43	Valuation of financial instruments

### **3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### **(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.

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 Group, 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
Machinery and equipment	5 - 30 years
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 based on 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) **Loss per share**

The Group presents basic and diluted loss per share data for its ordinary shares. Basic loss per share is calculated by dividing the 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 loss per share is determined by adjusting the 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.

**4 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, 27.88% 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
GS Securities	Thailand	Special-purpose restructuring entity	Subsidiary, 99.99% shareholding, common directors
GS Notes 2	Thailand	Special-purpose restructuring entity	Subsidiary, 99.99% shareholding, common directors
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.	Thailand	Manufacture and sale of steel bar	Common directors with the Company and G J Steel
Great Siam Steel Works 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

Name of entities	Country of incorporation/ nationality	Type of business	Nature of relationships
SSP Place Co., Ltd.	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
Mahachai Steel Center Co., Ltd.	Thailand	Sale of steel	Shareholder of the Company since 21 September 2012
Mahachai Steel Inter Co., Ltd.	Thailand	Sale of steel	Related party of the shareholder of the Company since 21 September 2012
Metal Inter Co., Ltd.	Thailand	Sale of steel	Related party of the shareholder of the Company since 21 September 2012
Kim Huad Steel Co., Ltd.	Thailand	Sale of steel	Related party of the shareholder of the Company since 21 September 2012
M & L Steel Co., Ltd.	Thailand	Sale of steel	Related party of the shareholder of the Company since 21 September 2012
M Steel Co., Ltd.	Thailand	Sale of steel	Related party of the shareholder of the Company since 21 September 2012
S Steel Co., Ltd.	Thailand	Sale of steel	Related party of the shareholder of the Company since 21 September 2012
Kim Steel Co., Ltd.	Thailand	Sale of steel	Related party of the shareholder of the Company since 21 September 2012

Name of entities	Country of incorporation/ nationality	Type of business	Nature of relationships
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.
Mrs. Naengnoi Trivuth	Thailand	-	Relative of subsidiary's common director

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

Transactions	Pricing policies
Interest income	Contractual rate
Purchase of finished goods	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
Finance costs	Contractual rate

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

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<i>Year ended 31 December</i>	<i>( in million Baht)</i>			
<b>Subsidiaries</b>				
Interest income	-	-	77	75
Purchase of raw material and finished goods	-	-	55	224
Sales of raw material and other (presented in other income net of related cost)	-	-	3	15
<b>Key management personnel</b>				
Key management personnel compensation				
Salary and bonus	84	63	55	36
Meeting allowance and other benefits	13	22	9	16
Total key management personal compensation	97	85	64	52
<b>Other related parties</b>				
Sale of finished goods	1,717	2,857	180	167
Sales of raw material and other (presented in other income net of related cost)	35	-	-	-
Purchase of raw water	4	11	4	11
Purchase of raw material	1,178	1,784	449	1,784
Financial advisory and management service fees	-	11	-	11
Rental and service expense	15	12	10	8
Finance costs	5	-	5	-

Balances as at 31 December with related parties were as follows

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<i>Note</i>	2012	2011	2012	2011
		<i>(in million Baht)</i>			
<b>Trade accounts receivable</b>	<b>7</b>				
<b>Other related parties</b>					
Advance Metal Fabrication Co., Ltd.		54	54	54	54
Mahachai Steel Inter Co., Ltd.		172	-	-	-
Mahachai Steel Center Co., Ltd.		8	-	8	-
Kim Huad Steel Co.,Ltd		1	-	-	-
		<u>235</u>	<u>54</u>	<u>62</u>	<u>54</u>
Less allowance for doubtful accounts		(57)	(54)	(57)	(54)
<b>Net</b>		<u>178</u>	<u>-</u>	<u>5</u>	<u>-</u>
 (Reversal of) bad and doubtful debts expense for the year	 35	 <u>3</u>	 <u>(181)</u>	 <u>3</u>	 <u>(181)</u>
<b>Amount receivable from related parties</b>					
<b>Receivable from sales of raw materials and other</b>					
<b>Subsidiary</b>					
G J Steel		-	-	128	156
<b>Other related party</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>128</u>	<u>156</u>
<b>Receivable from operating service income</b>					
<b>Subsidiary</b>					
OAC		-	-	1,067	1,104
Less allowance for doubtful account		-	-	(1,067)	(1,104)
<b>Net</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Receivable from guarantee obligation</b>					
<b>Subsidiary</b>					
OAC		-	-	750	433
Less allowance for doubtful account		-	-	(750)	(433)
<b>Net</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>		<u>-</u>	<u>-</u>	<u>128</u>	<u>156</u>
 Bad and doubtful debts expense for the year	 35	 <u>-</u>	 <u>-</u>	 <u>280</u>	 <u>468</u>

	Note	Consolidated and Separate financial statements	
		2012	2011
		(in million Baht)	
<i>Receivables from scrap sales</i>	9		
<b>Other related party</b>			
Advance Metal Fabrication Co., Ltd.		338	339
Less allowance for doubtful account		(338)	(339)
<b>Net</b>		<u>-</u>	<u>-</u>
<b>Reversal of bad and doubtful debts expense for the year</b>	35	<u>(1)</u>	<u>-</u>

		Separate financial statements	
		2012	2011
		(in million Baht)	
<i>Other current assets</i>			
<b>Subsidiary</b>			
<i>Interest receivable</i>			
G J Steel		<u>130</u>	<u>53</u>
<i>Advance to supplier (see Notes 4 (c) iv)</i>			
G J Steel		<u>28</u>	<u>39</u>
<i>Receivable from offsetting transactions (see Notes (b), (c) below)</i>			
<b>Subsidiary</b>			
G J Steel (MLR +1%, 90 days grace period)		<u>946</u>	<u>946</u>

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

	Separate financial statements	
	2012	2011
	(in million Baht)	
As 1 January	946	958
Increase	-	-
Decrease	-	(12)
<b>As at 31 December</b>	<u>946</u>	<u>946</u>

	Consolidated and Separate financial statements	
	2012	2011
	(in million Baht)	
<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>	<u>-</u>	<u>-</u>

		<b>Separate financial statements</b>	
	<i>Note</i>	2012	2011
		<i>(in million Baht)</i>	
<b>Other non-current asset</b>			
<b>Loans to and interest receivable from related parties</b>			
<b>Subsidiaries</b>			
<b>Loans to related parties</b>			
OAC		2,163	2,152
SPH		6	5
		<u>2,169</u>	<u>2,157</u>
Less allowance for doubtful accounts		<u>(2,169)</u>	<u>(2,157)</u>
<b>Net</b>		<u><u>-</u></u>	<u><u>-</u></u>
<b>Interest receivable from related parties</b>			
OAC		209	209
SPH		1	1
		<u>210</u>	<u>210</u>
Less allowance for doubtful accounts		<u>(210)</u>	<u>(210)</u>
<b>Net</b>		<u><u>-</u></u>	<u><u>-</u></u>
Bad and doubtful debts expense for the year	35	<u><b>12</b></u>	<u><b>14</b></u>

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

	<b>Separate financial statements</b>	
	2012	2011
	<i>(in million Baht)</i>	
<b>Loans to related parties</b>		
As at 1 January	2,157	2,143
Increase	12	14
<b>As at 31 December</b>	<u><b>2,169</b></u>	<u><b>2,157</b></u>

	<i>Note</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		2012	2011	2012	2011
		<i>(in million Baht)</i>			
<b>Deposit - other related parties</b>					
Sukhumvit Inter Development Co., Ltd.		2	3	2	3
SSP Place Co., Ltd.		2	2	1	1
<b>Total</b>		<u><b>4</b></u>	<u><b>5</b></u>	<u><b>3</b></u>	<u><b>4</b></u>
<b>Trade accounts payable</b>	18				
<b>Subsidiary</b>					
G J Steel		-	-	-	16
<b>Other related parties</b>					
Sukhumvit Inter Development Co., Ltd.		2	2	2	2
Advance Metal Fabrication Co., Ltd.		19	66	19	66
Mahachai Steel Center Co.,Ltd		52	-	52	-
<b>Total</b>		<u><b>73</b></u>	<u><b>68</b></u>	<u><b>73</b></u>	<u><b>84</b></u>

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
		(in million Baht)			
<i>Advances received from customers</i>					
<b>Other related parties</b>					
Mill Con Steel Industries PCL.		201	76	-	30
Asia Metal PCL.		106	121	20	20
Millcon Burapa Co., Ltd.		-	5	-	-
Kim Huad Steel Co., Ltd.		11	-	-	-
<b>Total</b>		<b>318</b>	<b>202</b>	<b>20</b>	<b>50</b>
<i>Other payables and accrued expenses</i>					
<b>Other related parties</b>					
Sukhumvit Inter Development Co., Ltd.		-	1	-	1
Arnoma Hotel Bangkok Co., Ltd.		3	-	2	-
SSP Place Co., Ltd.		12	3	10	2
<b>Total</b>		<b>15</b>	<b>4</b>	<b>12</b>	<b>3</b>
<i>Amount due to related party</i>					
<b>Subsidiary</b>					
GS Securities	12	-	-	196	-
<i>Accrued interest expense</i>					
<b>Other related parties</b>					
Mrs. Naengnoi Trivuth		3	-	3	-
Mahachai Steel Center Co., Ltd.		2	-	2	-
<b>Total</b>		<b>5</b>	<b>-</b>	<b>5</b>	<b>-</b>
<i>Other current liabilities</i>					
<i>Short-term loan</i>					
<b>Subsidiaries</b>					
G J Steel		-	-	28	-
GS Notes Co		-	-	-	1
GS Notes 2		-	-	1	-
<b>Other related party</b>					
Mrs. Naengnoi Trivuth		30	-	30	-
		30	-	59	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>31</b>	<b>1</b>	<b>60</b>	<b>2</b>

Movements of short-term loans from related parties for the years ended 31 December were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
<b><i>Short-term loans from related parties</i></b>				
As at 1 January	-	-	1	1
Increase	30	-	71	-
Decrease	-	-	(13)	-
<b>As at 31 December</b>	<b>30</b>	<b>-</b>	<b>59</b>	<b>1</b>

***Short-term loans from related parties***

During the year 2012, the Company entered into various short-term loans agreements with G J Steel, bearing interest at 9% per annum. As at 31 December 2012, the Company had outstanding short-term loans from G J Steel of Baht 28 million due within one year.

***Other current liabilities - Short-term loan from related parties***

On 28 March 2012, the Company entered into a loan agreement with Mrs. Naengnoi Trivuth in the amount of Baht 30 million, which bears interest at 12% per annum. Under the terms of this loan, the Company pledged 500 million shares of G J Steel held by the Company as collateral for the benefit of the lender.

***Guarantee obligations with related party***

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 2012 and 2011 was Baht 914 million (USD 29.7 million) and Baht 1,447 million (USD 45.5 million), respectively.

Refer to Note 17, Interest bearing liabilities for detail of current portion of long-term loan from financial institution and Note 48, Events after the reporting period for details of the Lenders of OAC's loan enforced the sale of the pledged shares, the Lenders of OAC's loan complaint cases and the payment to the Lenders of OAC's loan by the Company.

As the result in above, this obligation is initially recognised in the statement of financial position as part of provision for guarantee subsidiary an amount of Baht 780 million. Please see note 22, Provisions for the detail of guarantee subsidiary.



### *Other significant agreements concerning related parties*

- (a) On 14 November 2012, G J Steel entered various compromise agreements with the Company OAC and GS Securities to convert the outstanding debts of G J Steel for an amount of Baht 2,051 million to G J Steel's ordinary shares of 27,541 million shares at an exchange price of Baht 0.08 per share as details below;

	<i>(in million Baht)</i>
The Company	
Amount receivable from related parties	128
Receivable from offsetting transactions (see Note 4(b) and 4(c))	946
Advances from customers (see Note 4(c) iv)	28
Part of interest receivable (see Note 4(c) iii)	98
	<hr/> 1,200
OAC	
Part of other payables and accrued expenses owed by G J Steel (see Note 4(d))	330
GS Securities	
Long - term loan from a related party owned by G J Steel(see Note 4(e))	521
<b>Total</b>	<hr/> <b>2,051</b> <hr/>

Refer to Note 48, Events after the reporting period for details of the results of sale of G J Steel's newly issued shares and paid up capital by conversion of the outstanding debt owned by G J Steel to the Company, OAC and GS Securities

The historical details of transactions are described in the notes following below;

- (b) 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.
- (c) 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 4(b) and 4(c) (the "Company Loan") as at 31 December 2012 were Baht 946 million (*2011: Baht 946 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.
  - v. During the year ended 31 December 2012, G J Steel entered into memorandum of understanding to offset to trade accounts receivable from the Company with trade accounts payable to the Company amounting to Baht 16 million.
- (d) According to an agreement executed on 11 September 2006, G J Steel's plan administrator for purposes of the business rehabilitation plan (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 operations and (ii) act as its strategic advisor to provide services in relation to the execution of the rehabilitation plan (the "Plan") during the term of the Plan, including the procurement of raw materials, production 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 period was 5 years with options to renew, and the agreement commenced on 12 September 2006.

On 21 December 2006, the Plan Administrator and OAC agreed that the maximum fee payable under the operation service agreement should not exceed USD 13 million per annum, and the fees in relation to arrangement fee and revenue sharing in excess of the said minimum revenue sharing would be irrevocably waived.

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

In September 2011, the operation service agreement was due without continuing the agreement. G J Steel was USD 12.21 million (Baht 376 million) in arrears (“Overdue Service Balances”) under the terms of the agreement with OAC as at 31 December 2012 (2011: Baht 905 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.

- (e) On 5 November 2012, G J Steel borrowed from GS Securities amounting to Baht 521 million to convert debentures to loan from a related party which bear interest at 3% per annum and due in 2014.

Refer to Note 4(a), on 14 November 2012, G J Steel entered into a compromise agreement with GS Securities to convert this loan to G J Steel’s ordinary shares which will be settlement within 2013. Accordingly, this loan is classified under current liabilities as at 31 December 2012.

#### ***Significant matter with related parties***

During the year ended 31 December 2012, the Creditors of OAC enforced the sale of G J Steel’s shares of 6,392 million shares and G J Steel’s warrants of 556 million units which were owned by OAC. After the forced sale transaction, as at 31 December 2012 the Company and OAC held 27.88% shareholders in G J Steel.

## **5 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.

<b>Transactions</b>	<b>Pricing policies</b>
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
Rental and service expenses	Contractual prices
Finance costs	Contractual prices

Significant transactions for the years ended 31 December with business alliances were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<i>(in million Baht)</i>			
Sale of goods	-	60	-	60
Purchase of raw material	216	487	171	416
Transportation expenses and other services	156	492	52	202
Rental and service expenses	5	-	5	-
Finance cost	2	-	2	-

Balances as at 31 December with business alliances were as follows:

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<i>Note</i>	2012	2011	2012	2011
		<i>(in million Baht)</i>			
<b>Trade accounts receivable</b>	<b>7</b>				
Federal Steel Industry Co., Ltd.		333	333	333	333
Millenium Metal Work Co., Ltd.		29	29	29	29
		<b>362</b>	<b>362</b>	<b>362</b>	<b>362</b>
Less allowance for doubtful account		(362)	(362)	(362)	(362)
<b>Net</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Reversal of bad and doubtful debts expense for the year		-	(1)	-	(1)
<b>Other current assets - other receivables</b>	<b>10</b>				
Trinity Freight and Shipping Co., Ltd.		1	2	1	1
Nara International Co., Ltd.		30	33	30	33
		<b>31</b>	<b>35</b>	<b>31</b>	<b>34</b>
Less allowance for doubtful account		(30)	(33)	(30)	(33)
<b>Net</b>		<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>
<b>Trade accounts payable</b>	<b>18</b>				
Nara International Co., Ltd.		64	24	53	10
		<b>64</b>	<b>24</b>	<b>53</b>	<b>10</b>
<b>Other payable and accrued expenses</b>	<b>19</b>				
Trinity International Co., Ltd.		10	10	10	10
Trinity Freight and Shipping Co., Ltd.		19	65	11	26
Nara International Co., Ltd.		2	-	2	-
<b>Total</b>		<b>31</b>	<b>75</b>	<b>23</b>	<b>36</b>

#### **Significant matter with business alliances**

On 12 November 2012, Nara International Co., Ltd. (“Nara”) filed a case with the South Bangkok Civil Court to demand that the Company pay the debt. The case was negotiated and the Court ruled the compromise reached as binding on the date of 30 November 2012. The Company agreed to pay a final compensation for total amount of Baht 51 million, is repayable in eleven instalments starting from on 3 December 2012 to ending on 29 March 2013. The amount of the instalments ranges from Baht 2 million to Baht 8 million.

The Company’s Board of Directors’ meeting on 14 December 2012 has approved the Company to pledge additional 1,000 million G J Steel shares which the Company held to Nara as additional collateral for overdue debt owed to Nara.

Refer to Note 48, Events after the reporting period for details of Nara enforced the sale of the pledged shares.

## 6 Cash and cash equivalents

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Cash and deposits at financial institutions	53	89	19	58
Fixed deposits due within three months	-	2	-	-
<b>Total</b>	<b>53</b>	<b>91</b>	<b>19</b>	<b>58</b>

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

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Thai Baht (THB)	43	78	17	54
United States Dollar (USD)	10	13	2	4
<b>Total</b>	<b>53</b>	<b>91</b>	<b>19</b>	<b>58</b>

## 7 Trade accounts receivable

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
		<i>(in million Baht)</i>			
Related parties	4	235	54	62	54
Business alliances	5	362	362	362	362
Other parties		674	1,152	242	509
		1,271	1,568	666	925
Less allowance for doubtful accounts		(1,079)	(1,098)	(661)	(673)
<b>Net</b>		<b>192</b>	<b>470</b>	<b>5</b>	<b>252</b>
Reversal of bad and doubtful debts expense for the year	35	(19)	(539)	(12)	(519)

Aging analyses for trade accounts receivable were as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>( in million Baht)</i>			
<b>Related parties</b>				
Overdue:				
3-6 months	9	-	8	-
6-12 months	-	-	-	-
Over 12 months	226	54	54	54
	235	54	62	54
Less allowance for doubtful account	(57)	(54)	(57)	(54)
<b>Net</b>	<b>178</b>	<b>-</b>	<b>5</b>	<b>-</b>

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	( in million Baht )			
<b>Business alliances</b>				
Overdue:				
6-12 months	-	-	-	-
Over 12 months	362	362	362	362
	<b>362</b>	<b>362</b>	<b>362</b>	<b>362</b>
Less allowance for doubtful accounts	(362)	(362)	(362)	(362)
<b>Net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other parties</b>				
Overdue:				
Less than 3 months	-	232	-	231
3-6 months	-	1	-	1
6-12 months	-	28	-	20
Over 12 months	674	891	242	257
	<b>674</b>	<b>1,152</b>	<b>242</b>	<b>509</b>
Less allowance for doubtful accounts	(660)	(682)	(242)	(257)
<b>Net</b>	<b>14</b>	<b>470</b>	<b>-</b>	<b>252</b>
<b>Total</b>	<b>192</b>	<b>470</b>	<b>5</b>	<b>252</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.

#### *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:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(in million Baht)			
Balance before offset transactions	1,758	2,181	1,096	1,339
Offset transactions	(487)	(613)	(430)	(414)
<b>Net after offset transactions</b>	<b>1,271</b>	<b>1,568</b>	<b>666</b>	<b>925</b>

During the year ended 31 December 2012, the Company entered into an arrangement with four suppliers to offset trade accounts receivable from against trade accounts payable and other payables and accrued expenses to such supplier in the amount of Baht 430 million (during the year ended 31 December 2011: Baht 228 million (include G J Steel in the amount of Baht 29 million)).

During the year ended 31 December 2012, G J Steel entered into an arrangement with four suppliers (include G Steel in the amount of Baht 16 million) to offset trade accounts receivable from against trade accounts payable and other payables and accrued expenses to such supplier in the amount of Baht 73 million (during the year ended 31 December 2011: Baht 228 million).

See Notes 4(c) iv, 4(c) v for background the offsetting transactions between the Company and G J Steel.

### *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 1” (shareholder of the Company since 21 September 2012)) during the years ended 31 December 2012 and 2011.

The overall growth in accounts receivables other parties and inventories during the year ended 31 December 2011 is primarily attributable to sales to the Supporting Customer 1. The Supporting Customer 1 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 1 appear as other party receivables until such time that the entire amount of the Supporting Customer 1’s order is satisfied. At the time that the order is satisfied in full, the Supporting Customer 1’s receivables balance is offset in its entirety against the balance of cash advances that the Supporting Customer 1 has made or payables owed to the Supporting Customer 1 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 1 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 1’s product requirements. The balance due from the Supporting Customer 1 was Baht 8 million as at 31 December 2012 (2011: Baht 252 million).

A similar arrangement was entered into with another customer (the “Supporting Customer 2”) in July 2010. No balance due from the Supporting Customer 2 as at 31 December 2012 and 2011.

Since February 2012, there is another Supporting Customer (the “Supporting Customer 3”) providing support to the Company in term of working capital facilities 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 3’s product requirements. The above working capital facilities consist of advance payment for hot rolled coil to the Company, sourcing of raw materials for the Company on a consignment basis as well as a short-term loan to the Company. The selling price of hot rolled coil to the Supporting Customer 3 is the market price. No balance due from the Supporting Customer 3 as at 31 December 2012 and 2011.

Refer to Note 17, Interest bearing liabilities for detail of the working capital facilities with Supporting Customers.

Sales transactions for the year ended 31 December with the Supporting Customers were shown in the below table:

	<b>Separate financial statements</b>	
	2012	2011
	<i>( in million Baht )</i>	
<b><i>For the year ended 31 December</i></b>		
Supporting Customer 1	2,221	11,986
Supporting Customer 2	-	25
Supporting Customer 3	1,739	-
<b>Total</b>	<b>3,960</b>	<b>12,011</b>



### *Significant overdue balances*

As at 31 December 2012, trade accounts receivable-other parties of the Company amounting to Baht 146 million represents outstanding balances of one domestic customer (the “Non-Performing Customers”) for which the Company has set aside full allowance for doubtful accounts (2011: Baht 158 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 17) 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 17 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 2012, G J Steel had trade receivables of Baht 417 million (2011: Baht 424 million) from two domestic customers (the “GJS Non-Performing Domestic Customers”) for which G J Steel has made a Baht 417 million allowance for doubtful accounts (2011: Baht 424 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>	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Related parties	54	54	54	54
Business alliances	362	362	362	362
Other parties	565	583	147	159
	981	999	563	575
<i>Less</i> allowance for doubtful account	(981)	(999)	(563)	(575)
<b>Net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Sales transactions for year ended 31 December 2012 and 2011 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>	
	2012	2011	2012	2011
	<i>( in million Baht)</i>			
<b><i>For the year ended 31 December</i></b>				
Related parties	174	105	174	105
Business alliances	-	60	-	60
Other parties	-	445	-	-
<b>Total</b>	<b>174</b>	<b>610</b>	<b>174</b>	<b>165</b>

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Thai Baht (THB)	1,162	1,456	572	827
United States Dollar (USD)	109	112	94	98
<b>Total</b>	<b>1,271</b>	<b>1,568</b>	<b>666</b>	<b>925</b>

## Inventories

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>( in million Baht)</i>			
Finished goods	42	2,398	28	2,113
Raw materials	220	1,838	36	353
Spare parts	500	519	300	303
Consumables	169	165	62	45
Others	171	178	126	97
	1,102	5,098	552	2,911
<i>Less</i> : Allowance for devaluation of inventories	(199)	(522)	(24)	(356)
<b>Net</b>	<b>903</b>	<b>4,576</b>	<b>528</b>	<b>2,555</b>
Carrying value of inventories pledged to secure liabilities	<b>107</b>	<b>3,923</b>	<b>18</b>	<b>2,401</b>

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>( in million Baht)</i>			
Inventories recognised as an expense in 'cost of sales of goods':				
- Cost	14,207	31,119	6,020	13,425
- (Reversal of) loss on devaluation of inventories	(323)	252	(332)	244
<b>Net</b>	<b>13,884</b>	<b>31,371</b>	<b>5,688</b>	<b>13,669</b>

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 title to a creditor and pledged raw material as collateral to such creditor for a payable with an interest charge at 2.5% per annum.

## 9 Receivables from scrap sales

		<b>Consolidate and Separate financial statements</b>	
	<i>Note</i>	2012	2011
		<i>( in million Baht)</i>	
Related party	4	338	339
Other parties		-	-
		338	339
Less allowance for doubtful accounts		(338)	(339)
<b>Net</b>		<b>-</b>	<b>-</b>
Reversal of bad and doubtful debts expense for the year	35	(1)	(23)

### *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:

		<b>Consolidate and Separate financial statements</b>	
	<i>Note</i>	2012	2011
		<i>( in million Baht)</i>	
Balance - beginning of the year		339	362
Offset transaction with provision for loss on contract termination	22	-	(10)
Collection and other offset		(1)	(13)
<b>Balance - end of the year</b>		<b>338</b>	<b>339</b>

## 10 Other current assets

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
		<i>(in million Baht)</i>			
Other receivables		91	100	34	38
Less allowance for doubtful accounts		(84)	(87)	(30)	(33)
		<u>7</u>	<u>13</u>	<u>4</u>	<u>5</u>
Advance for purchases of goods and service		155	186	57	81
Less allowance for doubtful accounts		(28)	(28)	-	-
		<u>127</u>	<u>158</u>	<u>57</u>	<u>81</u>
Refundable value added tax		159	78	5	1
Suspense value added tax		114	229	66	134
Others		114	56	149	89
<b>Net</b>		<b><u>521</u></b>	<b><u>534</u></b>	<b><u>281</u></b>	<b><u>310</u></b>
Reversal of bad and doubtful debts expense for the year	35	<u>(3)</u>	<u>(4)</u>	<u>(3)</u>	<u>(4)</u>

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

		Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
		<i>(in million Baht)</i>			
Thai Baht (THB)		480	485	282	302
United States Dollar (USD)		122	126	19	20
Others		31	38	10	21
		<u>633</u>	<u>649</u>	<u>311</u>	<u>343</u>
Less allowance for doubtful accounts		(112)	(115)	(30)	(33)
<b>Total</b>		<b><u>521</u></b>	<b><u>534</u></b>	<b><u>281</u></b>	<b><u>310</u></b>

## 11 Restricted deposits at financial institutions

As at 31 December 2012 and 2011, the Group and the Company had pledged their deposits at financial institutions to secure credit facilities from those financial institutions as follows:

		Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
		<i>(in million Baht)</i>			
Guarantee for utility supplies and services		25	201	24	24
<b>Total</b>		<b><u>25</u></b>	<b><u>201</u></b>	<b><u>24</u></b>	<b><u>24</u></b>

#### *Payment of the bank guarantee*

During the year 2012, an electricity provider of the G J Steel has requested full payment from the bank guarantee, for the G J Steel's electricity usage, issued by two financial institutions amounted to Baht 164 million. The result of this payment would reduce the G J Steel's liability to the electricity provider amounted to Baht 164 million and reduced the restricted deposits at financial institutions amounted to Baht 156 million and the G J Steel paid additional to a financial institution amounted to Baht 8 million.

#### *Cancellation of the bank guarantee*

During the year 2012, a financial institution cancelled the bank guarantee for the G J Steel's utility usage amounting to Baht 20 million. The result of this cancellation would reduce the restricted deposits with this financial institution in the amount of Baht 20 million.

The Company's restricted deposits at financial institutions as at 31 December 2012 and 2011 denominated entirely in Thai Baht.

## 12 Investments in subsidiaries

Investments in subsidiaries as at 31 December 2012 and 2011 were as follows:

	Ownership interest 2012	Ownership interest 2011 (%)	Paid-up capital				Separate financial statements				At cost - net	
			2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
			(in million Baht)				(in million Baht)					
<b>Subsidiaries</b>												
<b>Ordinary shares:</b>												
SPH	99.99	99.99	341	341	341	341	(341)	(341)	-	-	-	-
G J Steel	22.33	22.33	27,533	27,533	3,503	3,503	(1,226)	(770)	2,277	2,733	2,277	2,733
GS Notes Co	99.99	99.99	2,722	2,722	1	1	-	-	1	1	1	1
GS Securities	99.99	-	1,887	-	1,439	-	-	-	1,439	-	1,439	-
GS Notes 2	99.99	-	473	-	1	-	-	-	1	-	1	-
			<b>5,285</b>		<b>3,845</b>		<b>(1,567)</b>	<b>(1,111)</b>	<b>3,718</b>		<b>2,734</b>	
<b>Warrants:</b>												
G J Steel			40		40		-	-	40		40	
<b>Total</b>			<b>5,325</b>		<b>3,885</b>		<b>(1,567)</b>	<b>(1,111)</b>	<b>3,758</b>		<b>2,774</b>	
<i>G J Steel</i>												

As at 31 December 2012, the market price of ordinary shares of G J Steel was Baht 0.08 per share (2011: Baht 0.14 per share), equivalent to a valuation of the investment of Baht 713 million (2011: Baht 1,248 million).

The Company's investment in G J Steel at cost amounted to Baht 3,503 million whereas the book value of G J Steel shareholders' equity proportion in the percentage that the Company held according to its financial statement as at 31 December 2012 amounted to Baht 2,277 million compared to Baht 2,733 million as at 31 December 2011. The Company recorded an additional impairment charge in the separate financial statements for the year ended 31 December 2012 of Baht 455 million.

## *G J Steel*

During the year ended 31 December 2012, lenders of OAC enforced the sale of 6,392 million shares of G J Steel amounting to Baht 562 million and of 556 million warrants of G J Steel amounting to Baht 53 million, resulting in a total divestment of the Company's investment in G J Steel amounting to Baht 615 million. The Company has recorded losses from sale of investments of Baht 1,032 million in the consolidated statement of comprehensive income for the year ended 31 December 2012.

After the forced sale transaction, as at 31 December 2012 the Company and OAC held a total of 11,126 million shares of G J Steel which represented 27.88% shareholders equity in G J Steel.

During the year 2012, the Company pledged its G J Steel's shares and G J Steel's warrants as collateral for the benefit of creditors as follows:

<i>G J Steel's shares</i>	<i>(in million share)</i>
Short-term loan from other related party	500
Trade account payable – other party	806
Trade account payable – a business alliance	1,000
Working capital lines of credit with a supporting customer 1	3,000
Working capital lines of credit with a supporting customer 3	300
<b>Total</b>	<b>5,606</b>
<i>G J Steel's warrants</i>	<i>(in million unit)</i>
Short-term loan from other party	500
<b>Total</b>	<b>500</b>

Refer to Note 48, Events after the reporting period for details of conversion of debt owned to the Company and OAC into equity of G J Steel and the forced sale transactions of the G J Steel's shares by the creditors of the Company and OAC.

## *SPH*

SPH acts principally as the holding company for an investment in OAC, which is currently experiencing financial difficulties. Refer to Note 17 for further information on the current situation between OAC and the Lenders. As at 31 December 2012 and 2011, the Company in its separate financial statements, made full allowance for impairment in the value of SPH.

## *GS Securities*

GS Securities has been registered with the Ministry of Commerce on 27 April 2012. GS Securities has authorised share capital of Baht 1 million. GS Securities was established as part of the restructuring of the debts of the Company and the Group.

On 28 June 2012, GS Securities' EGM passed the resolutions to approve the increase of authorised share capital by 162.10 million shares with a par value of Baht 10 per share to support the transaction of G J Steel's debt restructuring program to exchange with G J Steel's debentures and pay for advisory fee to the financial advisor. Refer to Note 1.2 (c) for the detail of G J Steel's debt restructuring program. GS Securities registered the increase of share capital with the Ministry of Commerce on 2 July 2012.



Under G J Steel's debt restructuring program, on 2 July 2012, the Company issued 3,150.8 million ordinary shares with a par value of Baht 1 per share to G J Steel's creditor in exchange for GS Securities' shares of 158 million ordinary shares with a par value of Baht 10 per share at the cost of Baht 1,166 million (the exchange price was Baht 0.37 per share based on market price of the Company shares on 2 July 2012). Accordingly, 158 million shares of GS Securities are recognised in the statement of financial position as if the Company held G J Steel's debentures directly.

The details of G J Steel's debentures are as follows:

No. of debentures	: 161,613 units
Face value per unit	: Baht 10,000
Total value of debentures	: Baht 1,616 million
Maturity	: 2 years
Interest rate	: 3% p.a.
Issuance Date	: 2 July 2012
Maturity Date	: 2 July 2014

On 2 November 2012, G J Steel entered into a compromise agreement with a creditor to exchange their outstanding receivables from G J Steel amounting to Baht 115 million for debentures amounting to Baht 115 million which bears interest at 3% per annum. The draw down principal is repayable in two year.

The details are as follow:

No. of debentures	: 11,451 units
Face value per unit	: Baht 10,000
Total value of debentures	: Baht 115 million
Maturity	: 2 years
Interest rate	: 3% p.a.
Issuance Date	: 8 November 2012
Maturity Date	: 8 November 2014

Later on 9 November 2012, GS Securities Holdings Co., Ltd. issued 11.45 million ordinary shares with a par value of Baht 10 per share, totaling Baht 115 million to exchange with those debentures.

After that, The Company issued 229 million ordinary shares with par value Baht 1 per share, at an offering price of Baht 0.50 per share, totaling Baht 115 million in exchange for the 11.45 million ordinary shares with a par value of Baht 10 per share of GS Securities Holdings Co., Ltd.

On 2 July, 21 September, 28 September and 8 November 2012 the Company issued a total of 392 million ordinary shares to the financial advisor in exchange for GS Securities' shares of 19.6 million shares as compensation for advisory services resulting in the successful execution of G J Steel's debt restructuring program, the Company's restructuring program and the Company's Bond Exchange program No. 2.

During the year ended 31 December 2012, the Company recorded an advisory fee charge in connection with the services provided by the Company's financial adviser to be paid for in shares in the Company amounting to Baht 196 million in the consolidated and separate financial statements and recorded intercompany balance as "Amounts due to related party" with GS Securities of Baht 196 million in the separate financial statement.

Refer to Note 26, Share capital, for the details of shares issued to the financial advisor for compensation of advisory fee.

The summary of movements of the Company's investment in GS Securities shares during the year ended 31 December 2012 is as follows:

	<b>Separate financial statement</b>	
	Number of GS Securities shares (million shares)	Cost method (in million Baht)
<b><i>For the year ended 31 December 2012</i></b>		
As at 1 January 2012	-	-
Increase from:		
Registration of GS Securities on 27 April 2012	0.1	1
Exchange for G J Steel's debentures on 2 July 2012	157.5	1,166
Exchange for G J Steel's debentures on 8 November 2012	11.5	76
Compensation to financial advisor for:		
G J Steel's debt restructuring program on 2 July 2012	4.4	44
The Company's debt restructuring program on 21 September 2012	11.9	119
The Company's Bond Exchange Program No.2 on 28 September 2012	3.1	31
G J Steel's debt restructuring program on 8 November 2012	0.2	2
	<u>19.6</u>	<u>196</u>
<b>As at 31 December 2012</b>	<b><u>188.7</u></b>	<b><u>1,439</u></b>

#### ***GS Notes 2***

GS Notes 2 was registered with the Ministry of Commerce on 12 July 2012. GS Notes 2 has authorised share capital of Baht 1 million. The objective of GS Notes 2 is to restructure the outstanding Bonds of the Company.

On 24 September 2012, GS Notes 2's EGM passed the resolutions to approve the increase of authorised share capital by 94.35 million shares with a par value of Baht 5 per share to support the transaction of the Company's Bond Exchange Program to exchange with the Bonds of the Company. GS Notes 2 registered the increase of share capital with the Ministry of Commerce on 26 September 2012.

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

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
		(in million Baht)			
Advance payment for:					
Hot rolled coil expansion project		1,514	1,863	1,514	1,863
Coil conditioning line project		692	692	692	692
Others		276	350	-	-
		<u>2,482</u>	<u>2,905</u>	<u>2,206</u>	<u>2,555</u>
Less allowance for loss on impairment		<u>(2,272)</u>	<u>(2,695)</u>	<u>(2,206)</u>	<u>(2,555)</u>
Net		<u>210</u>	<u>210</u>	<u>-</u>	<u>-</u>
Reversal of loss on impairment of assets for the year	36	-	(46)	-	(46)

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 2012 and 2011, the Company recorded allowance for loss on impairment for advance payment which relating to the project in full.

On 2 November 2012, G J Steel's Board of Directors approved a mortgage transaction with a Supporting Customer 3 to secure a loan facility that amount of Baht 360 million. Under this mortgage transaction, , G J Steel and the land seller agreed to mortgage 5 deeds of land which are presented as part of advances for purchase of property, plant and equipment amounting to Baht 210 million as collateral for long-term loan from supporting customer 3. Refer to Note 17, Interest bearing liabilities for the detail of long-term loan from other party.

## 14 Property, plant and equipment

	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
<b>Cost</b>						<b>Total</b>
At 1 January 2011	1,592	9,482	39,289	404	12	15,301
Additions	-	-	2	2	-	117
Disposals	-	-	(42)	(1)	-	-
Transfers	-	-	-	-	-	(1)
<b>At 31 December 2011 and 1 January 2012</b>	<b>1,592</b>	<b>9,482</b>	<b>39,249</b>	<b>405</b>	<b>12</b>	<b>15,417</b>
Additions	1	-	-	-	-	1
Disposals	-	-	(104)	(17)	-	(15)
Transfers	1	-	-	-	-	(1)
<b>At 31 December 2012</b>	<b>1,594</b>	<b>9,482</b>	<b>39,145</b>	<b>388</b>	<b>12</b>	<b>15,402</b>
<b>Accumulated depreciation</b>						<b>Total</b>
At 1 January 2011	11	4,504	8,354	353	8	-
Depreciation charge for the year	4	151	1,766	18	2	-
Disposals	-	-	(42)	-	-	-
<b>At 31 December 2011 and 1 January 2012</b>	<b>15</b>	<b>4,655</b>	<b>10,078</b>	<b>371</b>	<b>10</b>	<b>15,129</b>
Depreciation charge for the year	3	150	1,706	13	-	-
Disposals	-	-	(104)	(17)	-	-
<b>At 31 December 2012</b>	<b>18</b>	<b>4,805</b>	<b>11,680</b>	<b>367</b>	<b>10</b>	<b>16,880</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 2011	329	1,147	3,076	5	-	8,887	13,444
At 31 December 2011 and 1 January 2012	329	1,147	3,076	5	-	8,887	13,444
At 31 December 2012	329	1,147	3,076	5	-	8,887	13,444
<i>Net book value</i>							
At 1 January 2011	1,252	3,831	27,859	46	4	6,414	39,406
At 31 December 2011 and 1 January 2012	1,248	3,680	26,095	29	2	6,530	37,584
At 31 December 2012	1,247	3,530	24,389	16	2	6,515	35,699

**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 2011	735	3,237	21,374	150	9	8,526	34,031
Additions	-	-	-	-	-	116	116
Disposals	-	-	(42)	-	-	-	(42)
<b>At 31 December 2011 and 1 January 2012</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>
Additions	1	-	-	-	-	-	1
Disposals	-	-	(104)	-	-	(15)	(119)
<b>At 31 December 2012</b>	<b>736</b>	<b>3,237</b>	<b>21,228</b>	<b>150</b>	<b>9</b>	<b>8,627</b>	<b>33,987</b>
<b>Accumulated depreciation</b>							
At 1 January 2011	-	1,032	4,691	136	5	-	5,864
Depreciation charge for the year	-	49	953	4	2	-	1,008
Disposals	-	-	(42)	-	-	-	(42)
<b>At 31 December 2011 and 1 January 2012</b>	<b>-</b>	<b>1,081</b>	<b>5,602</b>	<b>140</b>	<b>7</b>	<b>-</b>	<b>6,830</b>
Depreciation charge for the year	-	49	889	3	-	-	941
Disposals	-	-	(104)	-	-	-	(104)
<b>At 31 December 2012</b>	<b>-</b>	<b>1,130</b>	<b>6,387</b>	<b>143</b>	<b>7</b>	<b>-</b>	<b>7,667</b>

**Separate financial statements**

	Land and land improvements	Building and improvement	Machinery and equipment	Office equipment furniture and fixtures ( <i>in million Baht</i> )	Vehicles	Assets under construction and installation	Total
<i>Allowance for loss on impairment</i>							
At 1 January 2011	306	1,071	2,685	5	-	5,764	9,831
At 31 December 2011 and 1 January 2012	306	1,071	2,685	5	-	5,764	9,831
At 31 December 2012	306	1,071	2,685	5	-	5,764	9,831
<i>Net book value</i>							
At 1 January 2011	429	1,134	13,998	9	4	2,762	18,336
At 31 December 2011 and 1 January 2012	429	1,085	13,045	5	2	2,878	17,444
At 31 December 2012	430	1,036	12,156	2	2	2,863	16,489



The cost of the Group and the Company's fully depreciated property, plant and equipment that was still in use as at 31 December 2012 amounted to Baht 1,662 million and Baht 1,429 million, respectively (2011: Baht 1,569 million and Baht 1,341 million, respectively).

### ***Mortgaged as security***

#### ***The Company***

On 28 February 2012, the Company's Board of Directors approved a mortgage transaction with the Provincial Electricity Authority. The Company mortgaged two machineries which are Shearing and Slitting with a net book value of Baht 706 million as at 31 December 2012 to the Provincial Electricity Authority as the collateral for electricity payment of the Company. 26 June 2012, the Company registered this mortgage transaction with Central Office for Machinery Registration, Department of Industrial Works.

On 14 November 2012, the Company's Board of Directors approved a mortgage transaction with a financial institution, in the amount of Baht 238 million. Under this mortgage, the Company's machinery which are Skinpass Mill with a net book value of Baht 1,254 million as at 31 December 2012 were mortgaged as security for the Company's short-term loan from a financial institution in an amount not exceeding Baht 476 million. On 16 November 2012, the Company registered this mortgage transaction with Central Office for Machinery Registration, Department of Industrial Works. Refer to Note 17, Interest bearing liabilities, the detail of short-term loan from a financial institution.

#### ***G J Steel***

As at 31 December 2012, G J Steel's property, plant and equipment, with a net book value of Baht 12,523 million, were mortgaged under the rehabilitation plan (2011: Baht 13,350 million).

On 11 May 2012, G J Steel's Board of Directors approved a mortgage transaction with the Provincial Electricity Authority in the amount of Baht 250 million. Under this mortgage, a portion of G J Steel's Skin pass machineries with a net book value of Baht 669 million as at 31 December 2012 is mortgaged as security for G J Steel's long-overdue electricity expenses in an amount not exceeding Baht 250 million. On 14 June 2012, G J Steel's registered this mortgage transaction with Central Office for Machinery Registration, Department of Industrial Works.

On 2 November 2012, G J Steel's Board of Directors approved a mortgage transaction with an other party who is a Supporting Customer 3, in the amount of Baht 360 million. Under this mortgage, G J Steel's eleven machineries with a net book value of Baht 909 million as at 31 December 2012 were mortgaged as security for G J Steel's long-term loan in an amount not exceeding Baht 360 million. On 5 November 2012, G J Steel registered this mortgage transaction with Central Office for Machinery Registration, Department of Industrial Works. Refer to Note 17, Interest bearing liabilities, the detail of long-term loan from an other party.

### *Assets under construction and installation*

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

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Hot rolled coil expansion	1,552	1,552	1,552	1,552
Coil conditioning line	6,273	6,288	6,273	6,288
Galvanizing line	5,038	5,038	-	-
Reversing Mill line	1,525	1,525	-	-
Others	1,014	1,014	802	802
<b>Total</b>	<b>15,402</b>	<b>15,417</b>	<b>8,627</b>	<b>8,642</b>

### *Impairment evaluation*

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

The Company and G J Steel's management evaluated a potential impairment of property, plant and equipment for the years 2012 and 2011 based on assumptions as describe below, 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 2012 and 2011.

#### The Company's 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 84%.
- Working capital investment equals 10% of forecasted change in revenue.
- Discount rate of 16.62% applied to forecast cash flows based on Company-specific, general macro-economic and comparable industry participant data.
- The Company are assumed to have access to the required capital necessary to support its capital expenditure and working capital investments required by the projections.

#### G J Steel's 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 2016 (2011: 2013)
- Pre-tax discount rate of 13% (2011: 15.5%) applied to forecast cash flows based on Company-specific, general macro-economic and comparable industry participant data
- G J Steel is 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 1.3 for further details of G J Steel's status in respect of sourcing new funding or facilities.)

## 15 Intangible assets

	Consolidated financial statements		
	Software	Licence	Total
	<i>(in million Baht)</i>		
<b>Cost</b>			
At 1 January 2011	228	41	269
<b>At 31 December 2011 and 1 January 2012</b>	<b>228</b>	<b>41</b>	<b>269</b>
<b>At 31 December 2012</b>	<b>228</b>	<b>41</b>	<b>269</b>
<b>Accumulated amortisation</b>			
At 1 January 2011	191	21	212
Amortisation charge for the year	4	2	6
<b>At 31 December 2011 and 1 January 2012</b>	<b>195</b>	<b>23</b>	<b>218</b>
Amortisation charge for the year	4	2	6
<b>At 31 December 2012</b>	<b>199</b>	<b>25</b>	<b>223</b>
<b>Net book value</b>			
At 1 January 2011	37	20	57
<b>At 31 December 2011 and 1 January 2012</b>	<b>33</b>	<b>18</b>	<b>51</b>
<b>At 31 December 2012</b>	<b>29</b>	<b>16</b>	<b>46</b>
			<b>Separate financial statements</b>
			Software
			<i>(in million Baht)</i>
<b>Cost</b>			
At 1 January 2011			17
<b>At 31 December 2011 and 1 January 2012</b>			<b>17</b>
<b>At 31 December 2012</b>			<b>17</b>
<b>Accumulated amortisation</b>			
At 1 January 2011			-
Amortisation charge for the year			2
<b>At 31 December 2011 and 1 January 2012</b>			<b>2</b>
Amortisation charge for the year			2
<b>At 31 December 2012</b>			<b>4</b>
<b>Net book value</b>			
At 1 January 2011			17
<b>At 31 December 2011 and 1 January 2012</b>			<b>15</b>
<b>At 31 December 2012</b>			<b>13</b>

## 16 Other non-current assets

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
		<i>(in million Baht)</i>			
Suspended construction in progress		2,086	2,086	-	-
Less allowance for impairment		(2,042)	(2,042)	-	-
		<u>44</u>	<u>44</u>	<u>-</u>	<u>-</u>
Deposit and advance to suppliers		202	202	-	-
Less allowance for impairment		(202)	(202)	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Promissory notes		143	143	-	-
Less allowance for doubtful accounts		(143)	(143)	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deposit-related party	4	3	5	3	5
Cash guarantee for the Company's utility usage		20	-	-	-
Other deposits		26	25	4	3
Deferred cost of rolls		208	217	108	104
Others		34	37	18	18
<b>Total</b>		<b><u>335</u></b>	<b><u>328</u></b>	<b><u>133</u></b>	<b><u>130</u></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 2012 and 2011, 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.

On 23 November 2012, G J Steel has pledged cash with an utility provider amounting to Baht 20 million as collateral for G J Steel's utility usage.

## 17 Interest-bearing liabilities

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(in million Baht)			
<b>Current</b>				
Short-term loans from financial institutions				
Secured	238	-	238	-
Unsecured	186	195	186	195
	<u>424</u>	<u>195</u>	<u>424</u>	<u>195</u>
Current portion of long-term loan from financial institutions (secured)	<u>914</u>	<u>1,447</u>	<u>-</u>	<u>-</u>
Bonds (unsecured)	<u>477</u>	<u>1,095</u>	<u>477</u>	<u>1,095</u>
Trade account payable				
Secured	198	4,580	133	3,268
Unsecured	6,516	8,372	4,968	5,974
	<u>6,714</u>	<u>12,952</u>	<u>5,101</u>	<u>9,242</u>
Other payables and accrued expenses				
Secured	291	-	83	-
Unsecured	643	1,185	55	214
	<u>934</u>	<u>1,185</u>	<u>138</u>	<u>214</u>
Other current liabilities (Short-term loans from related parties) (see Note 4)				
Secured	30	-	30	-
Unsecured	-	-	29	1
	<u>30</u>	<u>-</u>	<u>59</u>	<u>1</u>
Current portion of long - term loan from other party (secured)	<u>212</u>	<u>-</u>	<u>-</u>	<u>-</u>
Short-term loans from other party				
Secured	17	15	17	15
Unsecured	173	141	-	-
	<u>190</u>	<u>156</u>	<u>17</u>	<u>15</u>
	<u>9,895</u>	<u>17,030</u>	<u>6,216</u>	<u>10,762</u>
<b>Non-current</b>				
Long-term loan from other party (secured)	148	-	-	-
Trade account payable (unsecured)	258	-	258	-
Finance lease liabilities	-	1	-	1
	<u>406</u>	<u>1</u>	<u>258</u>	<u>1</u>
<b>Total</b>	<u>10,301</u>	<u>17,031</u>	<u>6,474</u>	<u>10,763</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>	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Within one year	9,895	17,300	6,216	10,762
After one year but within five years	403	1	255	1
After five years	3	-	3	-
<b>Total</b>	<b>10,301</b>	<b>17,301</b>	<b>6,474</b>	<b>10,763</b>

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>	2012	2011	2012	2011
		<i>(in million Baht)</i>			
Inventories	8	106	3,694	18	2,401
Warrants	12	47	56	15	15
Investments in a subsidiary	12	2,069	4,927	1,095	1,179
Advances for purchase of property, plant and equipment	13	210	-	-	-
Property, plant and equipment	14	3,538	-	1,960	-
<b>Total</b>		<b>5,970</b>	<b>8,677</b>	<b>3,088</b>	<b>3,595</b>

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

##### ***Liabilities under trust receipts***

As at 31 December 2012, the Company had short-term loans from financial institutions, representing liabilities under trust receipts amounted to Baht 186 million (2011: Baht 195 million), which bear interest at from 8.25 % to 15 % per annum. (2011: 8.25% to 15% per annum).

##### ***Payment of the electronic capacity charge and cancellation of the bank guarantee***

During the year 2012, an electricity provider of the Company has requested full payment from the bank guarantee, for the Company's electricity usage, issued by a financial institution amounted to Baht 238 million. The result of this payment would reduce the Company's liability to the electricity provider amounted to Baht 238 million and additional short term loan with a financial institution amounted to Baht 238 million, which bear interest at from 15% per annum. Moreover, a financial institution cancelled the bank guarantee for the Company's electricity usage amounting to Baht 238 million.

Refer to Note 14, for details of the security for the Company's short-term loans from a financial institution.

##### ***Loan from an individual***

As at 31 December 2012, the Company had loan from 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 28 February 2012, the Board of Directors approved the pledge of the Skinpass Mill in favour of Supporting Customer 3 in exchange for a working capital facility of Baht 200 million.

On 26 March 2012, the Board of Directors approved to mortgage the Company's land approximately 117 Rai which is not used for production, in favour of Supporting Customer 3 in exchange for an additional working capital facility of Baht 200 million.

On 27 April 2012, the Board of Directors approved a resolution to permit the Company to enter into additional working capital facility of up to Baht 150 million with Supporting Customer 3 for the period not over 1 year and bearing interest at the rate not over than 7.5% per annum.

On 5 October 2012, the Company has pledged 300 million G J Steel shares held by the Company to the Supporting Customer 3 as new collateral for outstanding balances, as detailed below:

- 200 million of G J Steel shares as collateral for the outstanding loan as per the loan agreement and compensation for share price difference for the debt to equity program. The Company entered into Compromise Agreement and Release the old collateral and put in new collateral contract with the Supporting Customer 3. As part of the Compromise Agreement, the Company will issue 120 million new ordinary shares at Baht 0.50 per share as the partial payment for the loan. The Company agreed to guarantee that after 12 months, if the closing price of the Company's shares is greater than or equal to Baht 0.50 per share less than 15 days, the Company will pay to creditor for the difference between Baht 0.50 per share and the average closing price during the previous 12 months.
- 100 million of G J Steel shares as collateral for outstanding trade payables. The Company has an outstanding loan amounting to Baht 2.35 million and trade payables amounting to Baht 10.96 million which the Company agreed pay to the Supporting Customer before 31 March 2013. The Supporting Customer will release the pledged 200 million G J Steel shares when both the Company makes full payment for the remaining loan and the obligation for the share price difference has ended and will release the pledged 100 million G J Steel shares when the Company makes full payment for the outstanding trade payables.

According to the Compromise Agreement with Supporting Customer 3, to comply with the debt conversion of the Company, the Company and the Supporting Customer agree to release the old collateral and put in the new collateral. Details of the new collateral are as mentioned above. The old collateral composes of 6 land deeds, the Skinpass machine and certain hot rolled coils. The Company completed the release of land mortgage on 9 November 2012. For the Skinpass machine, the Company finished releasing the mortgage on 7 November 2012.

On 29 October 2012, the Supporting Customer 3 filed a complaint to the Southern Civil Court requesting the Company for alleged breach of the scrap and pig iron sale contracts and demands the Company to pay the damages together with interest as well as the storage expenses. The Company has negotiated and compromised at the court with the repayment plan by debt to equity conversion. On 2 November 2012, the court has issued judgment for the Company to pay to the Supporting Customer 3 for an amount of Baht 191 million. The Company will make payment by issuing new ordinary shares of the Company to the Supporting Customer 3 for an amount of 383 million shares.



- (ii) 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 1 (see Note 7) 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 1 was executed by the Company on 17 March 2010. During the year ended 31 December 2011, the Company has received significant support from the Supporting Customer 1 in the form of
- 1) access to the Supporting Customer 1's letter of credit capacity,
  - 2) advance payments made for future deliveries of product and
  - 3) extended payment terms with respect to accounts payable amounts owed to the Supporting Customer 1.

As at 31 December 2012, the total amount outstanding on the Supporting Customer 1'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 47 million (2011: Baht 2,428 million).

In conjunction with this working capital support, the Company pays the Supporting Customer's letter of credit fees upon opening of the letter of credit to the respective lender,

- 1) a fixed fee for each transaction of Baht 100,000 to the Supporting Customer 1, and
  - 2) 1- 2.2% of the letter of credit per transaction directly to the respective lender.
- Furthermore, to the extent the Supporting Customer 1 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 1 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.

## **G J Steel**

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

Short-term loans from other parties are unsecured and bear interest (including other fees) at 6.79% to 30.00% per annum in 2012 (2011: 6.00% to 30.00% per annum).

### ***Long-term loans from other party***

On 1 November 2012, G J Steel obtained a credit facility from a Supporting Customer 3 for a total amount of Baht 360 million which bears interest at 8% per annum, payable monthly (in case of default on the repayment the interest rate will be 15% per annum). The draw down principal is repayable in fifteen monthly instalments starting from 7 March 2013. The amount of the instalments ranges from Baht 18 million to Baht 32.4 million. The credit facility is collateralised by part of G J Steel's machinery, an advance payment for land and a joined guarantee from an overseas supplier. The joined guarantee covers only 20% of the total facility.

## OAC

### *Current portion of long-term loan from financial institution*

As described in Note 1.3(d) and 12, during the year ended 31 December 2012, the Lenders of OAC's loan enforced the sale of the Company's shares owned by the Company's shareholders and G J Steel shares and warrants owned by OAC which were pledged as collateral for OAC's loan in totally amounted to Baht 853 million.

OAC recorded these forced transactions by reducing the outstanding balance of the loan, accrued interest expenses and other fees for the overseas loan of OAC amounting to Baht 853 million. Therefore, as at 31 December 2012, the outstanding balance of current portion of long term loan was Baht 914 million (equivalent to USD 29.7 million) (31 December 2011: Baht 1,447 million (equivalent to USD 45.5 million)).

Refer to Note 48, Events after the reporting period for details of the Lenders of, the enforced sale transactions of the Lenders of OAC's loan. OAC's loan complaint cases and the payment to the Lenders of OAC's loan by the Company.

### **Bonds**

As at 31 December 2012 and 2011, the Company had the following bonds in issue (the "Bonds"):

	<b>Consolidated and Separate financial statements</b>	
	2012	2011
	<i>(in million Baht)</i>	
Balance - beginning of the year	1,095	1,042
Conversion of bonds to equity	(759)	-
Effect of exchange rate	142	53
Balance - end of the year	478	1,095
Less Current portion of bonds included under the	(478)	(1,095)
<b>Total of bonds - net of current portion</b>	<b>-</b>	<b>-</b>

On 8 September 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 USD 1.00 outstanding principal amount of the Notes validly tendered. The Purchase Offer expired on 29 July 2011. The Company's Board of Directors approved to extend the Purchase Offer to 7 September 2012.

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 2012 and 2011 as a current liability on the Company's consolidated and separate statements of financial position.

Refer to Note 1.3(B), for the detail of the Bonds Exchange Program No.2 and Note 31, Gain from debt restructuring under the Bonds Exchange Program No.2.

During the year ended 31 December 2012, GS Notes Co wrote-off the Company's bonds, which were previously cancelled and fully provided for the Bonds Exchange Program No.2, with a nominal value of Baht 2,521 million. The write-off had no impact on reported loss for the year ended 31 December 2012.

During the year ended 31 December 2012, GS Notes 2 wrote off the Company's bonds, which were previously cancelled, with the value of Baht 472 million.

#### ***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>	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Thai Baht (THB)	1,768	1,673	723	205
United States Dollars (USD)	8,525	15,346	5,743	10,547
Other	8	12	8	11
<b>Total</b>	<b>10,301</b>	<b>17,031</b>	<b>6,474</b>	<b>10,763</b>

## **18 Trade accounts payable**

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<i>Note</i>	2012	2011	2012	2011
		<i>(in million Baht)</i>			
<b><i>Current</i></b>					
Related parties	5	73	68	73	84
Business alliances	6	64	24	53	10
Other parties		7,516	14,435	5,431	9,983
		<u>7,653</u>	<u>14,527</u>	<u>5,557</u>	<u>10,077</u>
<b><i>Non-Current</i></b>					
Long-term payable	1.3(a)	259	-	259	-
<b>Total</b>		<b>7,912</b>	<b>14,527</b>	<b>5,816</b>	<b>10,077</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 83 million as at 31 December 2012. The Company has to pay interest from 4 % to 12 % 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 (2011: Baht 626 million, interest rate at 4 % to 6 % per annum and at LIBOR + 1% per annum).

G J Steel had agreements to purchase raw materials from various overseas suppliers. G J Steel had taken delivery of raw materials under consignment agreements totaling Baht 1,547 million as at 31 December 2012 and pays interest from 6.40 % to 6.79 % per annum on the payables balance (2011: Baht 2,398 million, interest rate at 1% to 6.45% per annum).

Refer to Note 1.3(a) Trade Creditor Restructuring and Note 31 Gain from debt restructuring, for the details of the Group and the Company's debt restructuring program. During the year ended 31 December 2012, the Group and the Company's trade creditors agreed to convert its net outstanding receivables in the consolidated financial statements of Baht 2,909 million and in the separate financial statements of Baht 1,918 million to exchange with the Company's ordinary shares.

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Thai Baht (THB)	983	1,653	350	291
United States Dollars (USD)	6,809	12,750	5,374	9,692
Others	120	124	93	94
<b>Total</b>	<b>7,912</b>	<b>14,527</b>	<b>5,816</b>	<b>10,077</b>

## 19 Other payables and accrued expenses

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<i>Note</i>	2012	2011	2012	2011
		<i>(in million Baht)</i>			
<b>Current</b>					
Related parties	4	15	4	12	3
Business alliances	5	31	75	23	36
Other parties		1,880	2,673	775	1,368
		1,926	2,752	810	1,407
<b>Non-Current</b>					
Long-term payable		1	-	1	-
<b>Total</b>		<b>1,927</b>	<b>2,752</b>	<b>811</b>	<b>1,407</b>

G J Steel provided a performance guarantee for an Intermediary to two End Use Customers. These two End Use Customers are also Major Trade Creditors of G J Steel. The Group has recognized liabilities as other payables and accrued expenses amounting to Baht 533 million as at 31 December 2012 (2011: Baht 552 million) under the performance guarantee.

During the year ended 31 December 2012, the Group and the Company's other creditors agreed to convert its net outstanding receivables in the consolidated financial statements of Baht 844 million and in the separate financial statements of Baht 798 million to exchange with the Company's ordinary shares.

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Thai Baht (THB)	1,087	1,908	567	1,181
United States Dollars (USD)	829	825	235	216
Others	11	19	9	10
<b>Total</b>	<b>1,927</b>	<b>2,752</b>	<b>811</b>	<b>1,407</b>

## 20 Advances received from customers

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
		<i>( in million Baht )</i>			
Related parties	4	318	202	20	50
Other parties		363	785	88	416
<b>Total</b>		<b>681</b>	<b>987</b>	<b>108</b>	<b>466</b>

Advances received from customers of the Group and the Company as at 31 December 2012 and 2011 were denominated entirely in Thai Baht.

## 21 Accrued interest expenses

		Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
		<i>( in million Baht )</i>			
<b>Current</b>					
Bonds		81	134	81	134
Consigned inventories		1,117	1,213	685	750
Financial institutions		855	858	21	2
Others		1,322	927	1,018	716
		<b>3,375</b>	<b>3,132</b>	<b>1,805</b>	<b>1,602</b>
<b>Non-Current</b>					
Others		280	-	280	-
<b>Total</b>		<b>3,655</b>	<b>3,132</b>	<b>2,085</b>	<b>1,602</b>

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

		Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
		<i>( in million Baht )</i>			
Thai Baht (THB)		112	267	34	5
United States Dollars (USD)		3,543	2,865	2,051	1,597
<b>Total</b>		<b>3,655</b>	<b>3,132</b>	<b>2,085</b>	<b>1,602</b>

## 22 Provisions

### Consolidated financial statements

	Purchase orders for undelivered raw material (see Note 44.3)	Purchase of inferior raw material	Termination contracts	Performance guarantees	Tax- related provision	Court case claim	Deferred difference from debt restructuring (see Note 31)	Total
					<i>(in million Baht)</i>			
<b>At 1 January 2011</b>	<b>126</b>	<b>100</b>	<b>289</b>	<b>678</b>	<b>1,704</b>	-	-	<b>2,897</b>
Provisions made	83	-	-	-	300	-	-	383
Provisions paid	-	-	-	-	(29)	-	-	(29)
Provisions reversed	-	-	(61)	-	-	-	-	(61)
Provisions transferred	-	(100)	(165)	(678)	(18)	-	-	(961)
<b>At 31 December 2011 and 1 January 2012</b>	<b>209</b>	-	<b>63</b>	-	<b>1,957</b>	-	-	<b>2,229</b>
Provisions made	163	-	-	-	353	733	-	1,249
Provisions reversed	-	-	(1)	-	-	-	-	(1)
Provisions transferred	-	-	-	-	(346)	-	549	203
<b>At 31 December 2012</b>	<b>372</b>	-	<b>62</b>	-	<b>1,964</b>	<b>733</b>	<b>549</b>	<b>3,680</b>
<b>At 31 December 2011 and 1 January 2012</b>	<b>209</b>	-	<b>63</b>	-	<b>1,957</b>	-	-	<b>2,229</b>
Current								
<b>At 31 December 2012</b>								
Current	372	-	62	-	1,964	733	-	3,131
Non-Current	-	-	-	-	-	-	549	549
<b>Total</b>	<b>372</b>	-	<b>62</b>	-	<b>1,964</b>	<b>733</b>	<b>549</b>	<b>3,680</b>

	Separate financial statements						
	Purchase orders for undelivered raw material (see Note 44.3)	Termination contracts	Tax- related provision	Court case claim	Deferred difference from debt restructuring (see Note 31)	Guarantee subsidiary	Total
At 1 January 2011	126	289	887	-	-	-	1,302
Provisions made	-	-	209	-	-	-	209
Provisions reversed	(63)	(61)	-	-	-	-	(124)
Provisions transferred	-	(165)	-	-	-	-	(165)
At 31 December 2011 and 1 January 2012	63	63	1,096	-	-	-	1,222
Provisions made	122	-	176	243	-	780	1,321
Provisions reversed	-	(1)	-	-	-	-	(1)
Provisions transferred	-	-	(346)	-	549	-	203
At 31 December 2012	185	62	926	243	549	780	2,745
At 31 December 2011 and 1 January 2012	63	63	1,096	-	-	-	1,222
Current							
At 31 December 2012	185	62	926	243	-	780	2,196
Current							
Non-Current	-	-	-	-	549	-	549
Total	185	62	926	243	549	780	2,745

### ***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.

### ***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. On 1 March 2011, G J Steel resolved the aforementioned supply claim in conjunction with the supplier's End Use Customer claim.

### ***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.

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.

Subsequent to 31 December 2012, the Company and G J Steel submitted a filing related to these obligations with the tax authorities and is waiting for the outcome of the settlement discussions which are subject to the formal approval of the Revenue Department.

### *Provision for court case claim*

The Company was filed cases with the Court by the Company's creditors for breach of agreements related to sales and purchases and the Company and OAC were filed a case with the Court by a shareholder to pay the debt on guarantee obligation as described in Note 1.3(d), Shareholder's pledges and loans, and Note 48.10, Shareholder 2 claim. Accordingly, the Group and the Company have recorded their assessments to estimate their obligation as provision for court case claim in the consolidated financial statement Baht 733 million and in the separate financial statement of Baht 243 million.

### *Provision for guarantee subsidiary*

As described above and refer to Note 1.3(d) and Note 48.10, the Shareholders filed cases against OAC and the Company to pay the debts on guarantee obligation and refer to note 17, Interest - bearing liabilities, the Lenders of OAC's loan complaint case to OAC and the Company as guarantor to repay the outstanding debt of OAC's loan and OAC has other obligations with third parties. Based on the current financial position of OAC, OAC was unable to meet its obligations. The Company was guarantor of OAC's loan and as its parent company has obligations to jointly liable of OAC's obligations. Accordingly, the Company has recorded its assessments to estimate its obligation as provision for guarantee to subsidiary in the amount of Baht 780 million in the separate financial statement as at 31 December 2012.

## **23 Other current liabilities**

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<i>Note</i>	2012	2011	2012	2011
		<i>(in million Baht)</i>			
Short-term loans from related parties	4	30	1	59	1
Tax-related liabilities		1,817	1,418	1,134	753
Machinery and construction payables		65	99	39	72
Others		69	11	11	10
<b>Total</b>		<b>1,981</b>	<b>1,528</b>	<b>1,243</b>	<b>836</b>

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Thai Baht (THB)	1,931	1,445	1,220	780
United States Dollars (USD)	48	81	23	56
Others	2	2	-	-
<b>Total</b>	<b>1,981</b>	<b>1,528</b>	<b>1,243</b>	<b>836</b>

## 24 Liabilities under rehabilitation plan

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Balance - beginning of the year	910	911	534	544
Less Repayment and adjust exchange rate during the year	(63)	(1)	(4)	(10)
Balance - end of the year	847	910	530	534
Less Current portion of liabilities included under the rehabilitation plan	(615)	(394)	(298)	(18)
<b>Total liabilities which were included under the rehabilitation plan - net of current portion</b>	<b>232</b>	<b>516</b>	<b>232</b>	<b>516</b>

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Thai Baht (THB)	741	797	530	534
United States Dollars (USD)	93	100	-	-
Others	13	13	-	-
<b>Total</b>	<b>847</b>	<b>910</b>	<b>530</b>	<b>534</b>

The G J Steel's rehabilitation plan liabilities fell due on 31 October 2011 but were defaulted against. The G J Steel entered into negotiations with the creditors to extend the payment period. Accordingly, The Company presented the outstanding liabilities under rehabilitation plan as at 31 December 2012 and 2011 as current liabilities in the Company's consolidated statement of financial position. As a consequence of this default, the outstanding balances are payable on demand and accrue interest at a rate of 7.5% annually from the date of default.

Refer to Note 14 for details of the security for G J Steel's rehabilitation plan liabilities.

## 25 Employee benefit obligations

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
<b>Statement of financial position obligations for:</b>				
Post-employment benefits	48	24	29	15
	<b>48</b>	<b>24</b>	<b>29</b>	<b>15</b>

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
<b>Year ended 31 December</b>				
<b>Statement of comprehensive income:</b>				
<b>Recognised in profit or loss:</b>				
Post-employment benefits	24	24	14	15
	<b>24</b>	<b>24</b>	<b>14</b>	<b>15</b>

The Group adopted TAS 19 – Employee Benefits with effect from 1 January 2011. The Group opted to recognize the transitional obligation as at 1 January 2011 through profit or loss on a straight-line basis over five years from 1 January 2011. Movements during the year on the provision for the unrecognized transitional obligation were as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Unrecognised transitional obligation as at 1 January	53	66	34	42
Recognised through profit or loss for the period	(13)	(10)	(8)	(6)
<b>Unrecognised transitional obligation as at 31 December</b>	<b>40</b>	<b>56</b>	<b>26</b>	<b>36</b>

### *An unfunded plan based on Thai labour law*

The Group and the Company 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		Separate financial statements	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Present value of unfunded obligations	88	77	54	49
Unrecognised transitional obligation	(40)	(53)	(25)	(34)
<b>Statement of financial position obligation</b>	<b>48</b>	<b>24</b>	<b>29</b>	<b>15</b>

Movement in the present value of the defined benefit obligations:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Defined benefit obligations at 1 January	77	66	49	42
Current service costs and interest	13	11	8	7
<b>Defined benefit obligations at 31 December</b>	<b>90</b>	<b>77</b>	<b>57</b>	<b>49</b>

Expense recognised in profit or loss:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Transitional obligation recognised	13	13	8	8
Current service costs	8	8	4	5
Interest on obligation	3	3	2	2
<b>Total</b>	<b>24</b>	<b>24</b>	<b>14</b>	<b>15</b>

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Cost of sales and administrative expenses	24	24	14	15
<b>Total</b>	<b>24</b>	<b>24</b>	<b>14</b>	<b>15</b>

No actuarial gains and losses were recognised in other comprehensive income in the years ended 31 December 2012 and 2011.

Principal actuarial assumptions at the reporting date:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
	<i>%</i>			
Discount rate	4.0 - 4.2 p.a.	4.0 - 4.2 p.a.	4.0 p.a.	4.0 p.a.
Future salary increases	3.0 - 7.0	3.0 - 7.0	3.0 - 7.0	3.0 - 7.0
Turnover	5.0 - 14.0	5.0 - 14.0	6.0 - 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 60. For valuation purposes, participants are assumed to receive a lump sum payment from the plan.

## 26 Share capital

	<i>Par value per share (in Baht)</i>	2012 Number	2012 Baht <i>(million shares / million Baht)</i>	2011 Number	2011 Baht
<b>Authorised</b>					
At 1 January					
ordinary shares	1.00	29,799	29,799	18,960	18,960
Reduction of shares (1)	1.00	(12,770)	(12,770)	-	-
Increase of new shares (1)	1.00	30,976	30,976	-	-
Reduction of shares (2)	1.00	(27,736)	(27,736)	-	-
Increase of new shares (2)	1.00	34,305	34,305	-	-
Reduction of shares (3)	1.00	-	-	(2,478)	(2,478)
Increase of new shares (3)	1.00	-	-	13,317	13,317
<b>At 31 December</b>					
<b>ordinary shares</b>	<b>1.00</b>	<b>54,574</b>	<b>54,574</b>	<b>29,799</b>	<b>29,799</b>

	<i>Par value per share (in Baht)</i>	2012 Number	Baht (million shares / million Baht)	2011 Number	Baht
<b><i>Issued and paid up</i></b>					
At 1 January					
ordinary shares	1.00	17,029	17,029	16,481	16,481
Conversion of debt to equity	1.00	-	-	547	547
Increase of new shares for					
G J Steel's debt	1.00	3,472	3,472	-	-
restructuring program					
The Company's debt					
restructuring program	1.00	5,417	5,417	-	-
The Company's Bond					
Exchange program No. 2	1.00	1,005	1,005	-	-
<b>At 31 December</b>					
<b>- ordinary shares</b>	<b>1.00</b>	<b>26,923</b>	<b>26,923</b>	<b>17,028</b>	<b>17,028</b>

#### ***Authorised***

*For the year ended 31 December 2012*

#### ***Reduction, increase and allocation of share capital (1)***

On 30 April 2012, the Company's AGM passed the resolutions to approve a reduction of the authorised share capital in the amount of 12,770 million shares with a par value of Baht 1 per share and approved the increasing of the authorised share capital of the Company in the amount of 30,976 million shares with the par value of Baht 1 per share. The Company registered the reduction and increase of the authorised share capital of the Company with the Ministry of Commerce on 22 May 2012.

On 30 April 2012, the Company's AGM, passed the resolutions to allocate the Company's newly issued share capital as follows:

- To allocate 9,000 million newly issued shares of the Company, at a par value of Baht 1 per share, to the Company's creditors, under the debt-to-equity program, at the offering price of Baht 0.50 - 0.60 per share
- To allocate up to 4,800 million newly issued shares, at the par value of Baht 1 per share, at the offering price of Baht 0.50 - 0.60 per share, totalling up to Baht 2,880 million, to the shareholders of GS Notes Co and/or the Company's subsidiary for the debt restructuring program of the Group.
- To allocate up to 1,200 million newly issued shares, at the par value of Baht 1 per share, at the offering price of Baht 0.50 - 0.60, to Brooker Group Public Company Limited and/or its affiliated companies ("Financial advisor") in consideration of the advice and expenses provided for the successful execution of debt restructuring program of the Company and the Group.
- To allocate 5,676 million newly issued shares of the Company, at the par value of Baht 1, in order to support the exercise of right under the warrants allocated to the Company's existing shareholders at the exercise price of warrants of Baht 0.55 per share.

- To allocate 10,300 million newly issued shares of the Company, at the par value of Baht 1, in order to support the exercise of right under the warrants allocated to the private placement, which is the new group of investors or lenders who agree to invest in or grant loans to the Company in the amount of not less than Baht 5,000 million, at the exercise price of warrants of Baht 0.43 per share.
- To allocate the newly issued shares of the Company outstanding from the allocation as stated above to the private placement, at the offering price of Baht 0.50 - 0.60 per share.

*Reduction, increase and allocation of share capital (2)*

On 6 August 2012, the Company's EGM passed the resolutions to approve a reduction of the authorised share capital in the amount of 27,736 million shares with a par value of Baht 1 per share and approved the increasing of the authorised share capital of the Company in the amount of 34,305 million shares with the par value of Baht 1 per share. The Company registered the reduction and increase of the authorised share capital of the Company with the Ministry of Commerce on 1 September 2012.

On 6 August 2012, the Company's EGM, passed the resolutions to allocate the Company's newly issued share capital as follows:

- To allocate up to 10,500 million newly issued shares of the Company, at a par value of Baht 1 per share, to the Company's creditors, under the debt-to-equity program, at the offering price of Baht 0.50 per share.
- To allocate up to 1,719 million newly issued shares, at the par value of Baht 1 per share, at the offering price of Baht 0.50 per share, totaling up to Baht 1,719 million, to up to 50 shareholders of GS Notes 2 under the Bond Exchange Program No. 2.
- To allocate up to 2,760 million newly issued shares, at the par value of Baht 1 per share, at the offering price of Baht 0.50 per share, totaling up to Baht 1,380 million, to up to 50 shareholders of GS Securities for the debt restructuring program of the Group.
- To allocate up to 2,400 million newly issued shares of the Company under the general mandate basis, by offering shares to the Company's existing shareholders according to their proportion of shareholding (Rights Offering).
- To allocate up to 1,100 million newly issued shares, at the par value of Baht 1 per share, at the offering price of Baht 0.50, to the Company's financial advisor in consideration of the advice and expenses provided for the successful execution of debt restructuring program of the Company and the Group.
- To allocate up to 240 million newly issued shares, at the par value of Baht 1 per share, at the offering price of Baht 0.50 per share, to the Company's financial advisor in consideration of the advice provided in relation to the merger and acquisition.
- To allocate 5,676 million newly issued shares of the Company, at the par value of Baht 1, in order to support the exercise of right under the warrants allocated to the Company's existing shareholders according to their proportion of shareholding (Rights Offering).
- To allocate up to 2,400 million newly issued shares of the Company, at the par value of Baht 1, to support the exercise of right under the warrants allocated to the Company's existing shareholders according to their proportion of shareholding (Rights Offering) at the exercise price of Baht 0.55 per share.



- To allocate up to 7,500 million newly issued shares of the Company, at the par value of Baht 1, to support the exercise of right under the warrants allocated to the private placement, including the group of investors who have agreed to invest in or grant loans to the Company and the Company's Group in the amount of not less than Baht 1,500 million, at the exercise price of Baht 0.43 per share.
- To allocate the newly issued shares of the Company outstanding from the allocation as stated above to a private placement offering, at the offering price of Baht 0.50 per share.

*For the year ended 31 December 2011*

*Reduction and increase of share capital (3)*

On 15 August 2011, the Company's 2011 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 registered the reduction and increase of the authorised share capital of the Company with the Ministry of Commerce on 1 September 2011.

***Issued and paid up***

*Shares issued for G J Steel's debt restructuring program*

On 8 November 2012, the Company registered the increase in the Company's issued and paid-up share capital with the Ministry of Commerce by Baht 232 million comprising 232 million shares with par value of Baht 1 per share. These shares were issued to support G J Steel's debt restructuring program as described in Note 1.2 (c) to the financial statements. The allocation of shares issued was as follows:

- 229 million newly-issued ordinary shares were allocated to the creditors of G J Steel. In this regards, the creditors of G J Steel made payment for the Company's shares by transferring 158 million shares of GS Securities to the Company with the par value of Baht 10 per share. The exchange price was Baht 0.33 per share based on the market price of the Company's shares on 8 November 2012 (date of shares registration).
- 3 million newly-issued ordinary shares were allocated to the Company's financial advisor in respect of G J Steel's debt restructuring program. The financial advisor made payment for the Company's newly-issued shares by transferring 4 million shares of GS Securities to the Company with the par value of Baht 10 per share to the Company. The transfer price was Baht 0.50 per share based on the fair value of the advisory services.

*Shares issued for the Company's debt restructuring program*

On 21 September 2012, the Company registered the increase in the Company's issued and paid-up share capital with the Ministry of Commerce by Baht 5,417 million comprising 5,417 million shares with par value of Baht 1 per share. These shares were issued to support the Company's debt restructuring program as described in Note 1.2 (a) to the financial statements. The allocation of shares issued was as follows:

- 5,179 million newly-issued ordinary shares were allocated to the creditors of the Company. In this regards, the creditors of the Company made payment for the Company's shares by exchange their net outstanding receivables from the Company amounting to Baht 2,724 million. The exchange price was Baht 0.37 per share based on the market price of the Company's shares on 21 September 2012 (date of shares registration)



- 238 million newly-issued ordinary shares were allocated to the Company's financial advisor in respect of the Company's debt restructuring program. The financial advisor made payment for the Company's newly-issued shares by transferring 12 million shares of GS Securities to the Company with the par value of Baht 10 per share to the Company. The transfer price was Baht 0.50 per share based on the fair value of the advisory services.

*Shares issued for the Company's Bond exchange program No. 2*

On 28 September 2012, the Company registered the increase in the Company's issued and paid-up share capital with the Ministry of Commerce by Baht 1,005 million comprising 1,005 million shares with par value of Baht 1 per share. These shares were issued to support the Company's Bond exchange program No. 2 as described in Note 1.2 (b) to the financial statements. The allocation of shares issued was as follows:

- 943 million newly-issued ordinary shares were allocated to the shareholders of GS Notes 2. In this regards, the shareholders of GS Notes 2 made payment for the Company's shares by transferring 47 million shares of GS Notes 2 to the Company with the par value of Baht 10 per share. The exchange price was Baht 0.34 per share based on the market price of the Company's shares on 28 September 2012 (date of shares registration)
- 62 million newly-issued ordinary shares were allocated to the Company's financial advisors in respect of the Company's Bond exchange program No. 2. The financial advisor made payment for the Company's newly-issued shares by transferring 3 million shares of GS Securities, with the par value of Baht 10 per share to the Company. The transfer price was Baht 0.50 per share based on the fair value of the advisory services.

The summary of the shares issued is presented in the table below:

	Share capital	Share discount
	Debit/(Credit)	
	(in million Baht)	
<i>Shares issued for G J Steel's debt restructuring program</i>		
At 2 July 2012		
(Converted price of Baht 0.37 per share)		
• Principal amount under the G J Steel's debentures issued and debt restructuring program	(3,151)	1,985
At 8 November 2012		
(Converted price of Baht 0.33 per share)		
• Principal amount under the G J Steel's debentures issued and debt restructuring program	(229)	153
<i>Shares issued to financial advisors</i>		
At 2 July 2012		
(Converted price of Baht 0.50 per share)		
• Compensation to financial advisors of the G J Steel's debentures issued and debt restructuring program	(89)	44

	Share capital Debit/(Credit) (in million Baht)	Share discount
At 8 November 2012 (Converted price of Baht 0.50 per share)		
• Principal amount under the G J Steel's debentures issued and debt restructuring program	(3)	2
<b>Shares issued for the Company's debt restructuring program</b>		
At 21 September 2012 (Converted price of Baht 0.37 per share)		
• Principal amount under the Company's debt restructuring program	(5,179)	3,263
<b>Shares issued to financial advisors</b>		
At 21 September 2012 (Converted price of Baht 0.50 per share)		
• Compensation to financial advisors of the Company's debt restructuring program	(238)	119
<b>Shares issued for the Company's Bond Exchange Program No. 2</b>		
At 28 September 2012 (Converted price of Baht 0.34 per share)		
• Principal amount under the Company's Bond Exchange Program No. 2	(943)	623
<b>Shares issued to financial advisors</b>		
At 28 September 2012 (Converted price of Baht 0.50 per share)		
• Compensation to financial advisors of the Company's Bond Exchange Program No.2	(62)	31
<b>Total</b>	<b>(9,894)</b>	<b>6,220</b>

### *Share premium (discount)*

The movement of share premium (discount) during the year ended 31 December are shown in the table below:

	<i>Note</i>	<b>Consolidated and Separate financial statements</b>	
		2012	2011
		<i>(in million Baht)</i>	
<b>Share premium (discount)</b>			
At 1 January		795	1,145
G J Steel's debt restructuring program	26	(2,138)	-
Compensation to financial advisor of the G J Steel's debentures issued and debt restructuring program	26	(46)	-
The Company's debt restructuring program	26	(3,263)	(350)
Compensation to financial advisor of the Company's debt restructuring program	26	(119)	-
The Company's Bond Exchange Program No. 2	26	(623)	-
Compensation to financial advisor of the Company's Bond Exchange Program No. 2	26	(31)	-
<b>At 31 December</b>		<b>(5,425)</b>	<b>795</b>

## **27 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.

## **28 Warrants**

	<i>Value per unit (in Baht)</i>	2012	
		Number	Baht
		<i>(million units / million Baht)</i>	
At 1 January			
- Warrants			
Issue of new warrants	0.002	5,676	11
<b>At 31 December</b>			
<b>- Warrants</b>	<b>0.002</b>	<b>5,676</b>	<b>11</b>

### *Issued and offered the Company's warrants*

On 30 April 2012, the Company's AGM passed the resolutions to issue and offer the Company's warrants as follow:

- To issue and offer the Company's warrants in the amount of 5,676 million units to the existing shareholders according to their proportion of shareholding, at the exercise ratio of 3 ordinary shares for 1 unit of warrant, at the price of Baht 0.002 per unit and the exercise price will be Baht 0.55 per share. These warrants were issued on 27 September 2012.
- To issue and offer the Company's warrants in the amount of not more than 10,300 million units in order to be allocated to a new group of investors or lenders who have agreed to invest in or grant loans to the Company in an aggregate amount of not less than Baht 5,000 million, at the exercise price of Baht 0.43 per share.

On 6 August 2012, the Company's EGM passed the resolutions to issue and offer the Company's warrants as follows:

- To issue and offer the Company's warrants in the amount of up to 2,400 million units to the existing shareholders according to their proportion of shareholding, at the exercise ratio of 1 ordinary share for 1 unit of warrant, at the price of Baht 0.002 per unit and the exercise price will be Baht 0.55 per share.
- To issue and offer the Company's warrants in the amount of up to 7,500 million units in order to be allocated to a new group of investors or lenders who have agreed to invest in or grant loans to the Company and the Group in an aggregate amount of not less than Baht 1,500 million.

## **29 Own shares held by a subsidiary**

As part of G J Steel's debt restructuring program, 1,000 million ordinary shares of the Company, comprising 3.75% of the Company's issued and paid-up share capital were held by OAC, an indirect subsidiary of the Company, at a total cost of Baht 370 million. These holdings have been treated in the consolidated statement of financial position within equity as a deduction from total equity.

On 26 November 2012, OAC return 560 million ordinary shares of the Company to one shareholder as the return of the pledgor's property which was previously forced sold by the lender of OAC.

## **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 2012 and 2011 were as follows:

	<b>Consolidated financial statements</b>	
	2012	2011
	<i>(in million Baht)</i>	
<b>Segment revenue</b>		
Domestic	13,010	30,346
Export	96	179
<b>Total</b>	<b>13,106</b>	<b>30,525</b>
<b>Segment gross profit/(loss)</b>		
Domestic	(1,086)	(617)
Export	(14)	24
<b>Total</b>	<b>(1,100)</b>	<b>(593)</b>

### 31 Gain from debt restructuring

#### *2012 Gain from debt restructuring*

As results of the Group and the Company's debt restructuring as described in Note 1.3, the Group and the Company have recorded gain from debt restructuring, detailed as follows:

	<i>Note</i>	<b>Consolidated financial statements</b>	<b>Separate financial statements</b>
<i>Year ended 31 December 2012</i>		<i>(in million Baht)</i>	
<b>G J Steel's debt restructuring program</b>	<i>1.3(c)</i>		
Carrying value of the debt obligation before G J Steel's debt restructuring program			
- Short-term loan from other parties		18	-
- Trade accounts payable (after offsetting with trade accounts receivable and other current assets of Baht 39 million)		991	-
- Advances received from customers		98	-
- Other payables and accrued expenses-related party		500	-
- Other payables and accrued expenses-other parties		46	-
- Accrued interest expense		269	-
- Liabilities under rehabilitation plan		35	-
		<u>1,957</u>	<u>-</u>
Less Other payables and accrued expenses-related party		(500)	-
Total		<u>1,457</u>	<u>-</u>
Less Fair value of shares issued (Baht 0.37 per share)		(1,241)	-
Transfer to own shares held by a subsidiary (1,000 million shares @ Baht 0.37 per share)		<u>370</u>	<u>-</u>
<b>Gain from debt restructuring - G J Steel's debt restructuring program</b>		<b><u>586</u></b>	<b><u>-</u></b>

<i>Year ended 31December 2012</i>	<i>Note</i>	<b>Consolidated financial statements (in million Baht)</b>	<b>Separate financial statements</b>
<b>2012 the Company's debt restructuring program</b>	<b>1.3(a)</b>		
Carrying value of the debt obligation before 2012 the Company's Debt Restructuring Program			
- Short-term loan from other parties		60	60
- Trade accounts payable		2,539	2,539
- Advances received from customers		422	422
- Other payables and accrued expenses		798	798
- Accrued interest expense		34	34
- Other current liabilities		51	51
Total		3,904	3,904
Less Fair value of shares issued (Baht 0.37 per share)		(1,916)	(1,916)
Less Future cash payment under new terms and conditions			
- Principal		(622)	(622)
Transfer to provisions	22	(549)	(549)
<b>Gain from debt restructuring – the Company's debt restructuring program</b>		<b>817</b>	<b>817</b>
 <b>The Company's Bond Exchange Program No.2</b>	 <b>1.3(b)</b>		
Carrying value of the debt obligation before the Bond Exchange Program No.2			
- Bonds (USD 34.38 million)		1,064	1,064
- Accrued interest expenses (including withholding tax)		140	140
Total		1,204	1,204
Less Fair value of shares issued (Baht 0.34 per share)		(321)	(321)
Less Future cash payments under new terms and conditions			
- Principal (USD 15.51 million)		(480)	(480)
- Interest and withholding tax payment		(81)	(81)
<b>Gain from debt restructuring - the Company's Bond Exchange Program No.2</b>		<b>322</b>	<b>322</b>
<b>Total gain from debt restructuring</b>		<b>1,725</b>	<b>1,139</b>

#### *2011 Gain from debt restructuring*

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 26) On 1 November 2011, the Company converted the outstanding Overseas Loan plus accrued interest and fee into 547 million 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 2011 (in million Baht)</b>
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
Total	547
Less Fair value of shares issued	(197)
<b>Gain from debt restructuring</b>	<b>350</b>

### 32 Selling expenses

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(in million Baht)			
Domestic shipping expenses	102	269	36	135
Export shipping expenses	7	7	-	-
Packing expenses	2	4	-	-
<b>Total</b>	<b>111</b>	<b>280</b>	<b>36</b>	<b>135</b>

### 33 Administrative expenses

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
		(in million Baht)			
Consulting expense		98	56	66	43
Consulting fee for Bonds restructuring	17	-	-	-	-
Idle cost - depreciation and amortisation expenses	38	1,328	311	748	168
Idle cost - other		702	92	595	41
Depreciation and amortisation expenses	38	86	86	43	43
Employee benefit expenses	38	531	402	179	175
Demurrage charges		34	16	-	-
Others		253	359	100	154
<b>Total</b>		<b>3,032</b>	<b>1,322</b>	<b>1,731</b>	<b>624</b>

### 34 Employee benefit expenses

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(in million Baht)			
<b>Management</b>				
Wages and salaries	90	73	61	45
Welfare	5	10	3	6
Contribution to provident fund	2	2	1	1
	<b>97</b>	<b>85</b>	<b>65</b>	<b>52</b>
<b>Other employees</b>				
Wages and salaries	524	544	252	255
Welfare	149	181	37	53
Contribution to provident fund	26	23	8	6
	<b>699</b>	<b>748</b>	<b>297</b>	<b>314</b>
<b>Total</b>	<b>796</b>	<b>833</b>	<b>362</b>	<b>366</b>

#### Defined benefit plans

Details of the defined benefit plans are given in note 25.

#### 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.

### 35 (Reversal of) bad and doubtful debt expenses

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
		(in million Baht)			
Amount receivable from related parties	4	-	-	280	468
Loans to and interest receivable from related parties	4	-	-	11	14
Trade account receivable	7	(19)	(539)	(12)	(519)
Receivables from scrap sales	9	(1)	(23)	-	(23)
Other current assets	10	(3)	(4)	(3)	(4)
<b>Total</b>		<b>(23)</b>	<b>(566)</b>	<b>276</b>	<b>(64)</b>



### 36 (Reversal of) losses on impairment of assets

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
		<i>(in million Baht)</i>			
Investment in subsidiaries	12	-	-	455	293
Advance payment for purchases of property, plant and equipment	13	-	(46)	-	(46)
<b>Total</b>		<b>-</b>	<b>(46)</b>	<b>455</b>	<b>247</b>

### 37 Other expenses

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
		<i>(in million Baht)</i>			
Advisory fee for debt restructuring	12	196	-	196	-
Loss on sale of investment	12	1,032	-	-	-
Loss from shareholder claim	1.3 (D)	474	-	-	-
Provision from court case claim	22	733	-	243	-
Provision for tax-related liabilities	22	353	300	176	210
Provision for guarantee subsidiary	4, 22	-	-	780	-
<b>Total</b>		<b>2,788</b>	<b>300</b>	<b>1,395</b>	<b>210</b>

### 38 Expenses by nature

The statements of income include an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirements of various TFRS were as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
<b><i>Included in cost of sales of goods:</i></b>				
Raw material and consumable used	9,645	25,874	3,143	11,310
Changes in inventories of finished goods	1,814	(982)	2,085	(1,139)
Depreciation and amortization	529	1,727	171	861
Employee benefit expenses	265	394	183	190
<b><i>Included in administrative expenses:</i></b>				
Depreciation and amortization (including in idle cost)	1,328	311	748	168
Depreciation and amortization	86	86	43	44
Employee benefit expenses	531	439	179	176
Operating lease expense	19	14	14	10

### 39 Finance costs

	Consolidated financial statements		Separate financial statements	
Note	2012	2011	2012	2011
	( in million Baht)			
Finance costs:				
Bonds	9	8	9	8
Financial institutions	72	491	30	22
Other parties	1,429	454	645	184
<b>Total</b>	<b>1,510</b>	<b>953</b>	<b>684</b>	<b>214</b>

### 40 Income tax expense

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

#### *Income tax reduction*

Royal Decree No. 530 B.E. 2554 dated 21 December 2011 grants a reduction in the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively.

It is understood that the Government will proceed to amend the law in order to maintain the corporate income tax rate at not higher than 20% for the accounting period 2015 which begins on or after 1 January 2015 and onwards in order to give full effect to the Cabinet resolution dated 11 October 2011 to increase Thailand's tax competitiveness

### 41 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:

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

The Company has not earned income under the promotion certificate No. 1579(2)/2548 for the manufacture of skin-passed product and the promotion certificate No. 1829(2)/2549 for the manufacture of melted steel, steel billet and bloom, slab and pipe & tube.

As promoted companies, the Company and 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>					
	2012			2011	
	Promoted businesses	Non-Promoted businesses	Total	Promoted Businesses	Non-Promoted businesses
	<i>(in million Baht)</i>				
					Total
Export Sale	94	2	96	179	-
Domestic Sale	7,655	5,355	13,010	17,874	12,472
<b>Total Revenue</b>	<b>7,749</b>	<b>5,357</b>	<b>13,106</b>	<b>18,053</b>	<b>12,472</b>
					<b>30,525</b>

<b>Separate financial statements</b>					
	2012			2011	
	Promoted businesses	Non-Promoted businesses	Total	Promoted Businesses	Non-Promoted businesses
	<i>(in million Baht)</i>				
					Total
Export Sale	-	2	2	-	-
Domestic Sale	-	5,355	5,355	-	12,258
<b>Total Revenue</b>	<b>-</b>	<b>5,357</b>	<b>5,357</b>	<b>-</b>	<b>12,258</b>
					<b>12,258</b>

## 42 Loss per share

### *Basic loss per share*

The calculation of basic loss per share for the years ended 31 December 2012 and 2011 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>	
	2012	2011	2012	2011
	<i>(in million Baht / million shares)</i>			
<b>Loss for the year attributable to equity holders of the Company (basic)</b>	<b>(4,612)</b>	<b>(2,525)</b>	<b>(3,363)</b>	<b>(2,508)</b>
Number of ordinary shares outstanding at 1 January	17,029	16,482	17,029	16,482
Effect of shares issued on 1 November 2011	-	91	-	91
Effect of shares issued on 2 July 2012	1,620	-	1,620	-
Effect of shares issued on 21 September 2012	1,510	-	1,510	-

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2012	2011	2012	2011
Effect of shares issued on 28 September 2012	261	-	261	-
Effect of shares issued on 8 November 2012	34	-	34	-
	<b>20,454</b>	<b>16,573</b>	<b>20,454</b>	<b>16,573</b>
<i>Less</i> Effect of on own share held by a subsidiary	(220)	-	-	-
<b>Weighted average number of ordinary shares outstanding (basic)</b>	<b>20,234</b>	<b>16,573</b>	<b>20,454</b>	<b>16,573</b>
<b>Loss per share (basic) (in Baht)</b>	<b>(0.23)</b>	<b>(0.15)</b>	<b>(0.16)</b>	<b>(0.15)</b>

Diluted loss per share for the period ended 31 December 2012 and 2011 is not presented because the exercise price of the Company's warrants was higher than the market price of the Company's ordinary shares.

#### 43 Financial instruments

As at 31 December 2012 and 2011, 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:

	Effective Interest rate (% per annum)	Consolidated financial statements			
		Within 1 year	After 1 year but within 5 years (in million Baht)	After 5 years	Total
<b>2012</b>					
<i>Financial assets :</i>					
Cash and cash equivalents	0.75 - 2.6	53	-	-	53
Current investment	1.0 - 1.85	-	-	-	-
Restricted deposits at financial institutions	1.0 - 3.25	-	25	-	25
		<u>53</u>	<u>25</u>	<u>-</u>	<u>78</u>
<i>Financial liabilities:</i>					
Short term loans from financial institutions	15.5	424	-	-	424
Short-term loans from other parties	6.0 - 30.0	190	-	-	190
Current-portion of long-term loan from financial institutions	SIBOR + MARGIN	914	-	-	914
Bonds	3.0	477	-	-	477
Trade accounts payable	LIBOR+1 and 1.0 - 12.0	6,714	255	3	6,972
<b>Total</b>		<u>8,719</u>	<u>255</u>	<u>3</u>	<u>8,977</u>
<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
		<u>98</u>	<u>201</u>	<u>-</u>	<u>299</u>
<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>		<u>15,845</u>	<u>-</u>	<u>-</u>	<u>15,845</u>

		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>2012</b>					
<i>Financial assets :</i>					
Cash and cash equivalents	0.10 - 0.75	19	-	-	19
Restricted deposits at financial institutions	3.25	24	-	-	24
Receivable from related party for offsetting transaction	MLR+1	946	-	-	946
<b>Total</b>		<b>965</b>	<b>-</b>	<b>-</b>	<b>989</b>
<i>Financial liabilities :</i>					
Short-term loans from financial institutions	15.5	424	-	-	424
Short-term loans from related parties	7.0-12.0	59	-	-	59
Short-term loans from other parties	5-15	17	-	-	17
Bonds	3.0	477	-	-	477
Trade accounts payable	LIBOR+1 and 1.0 - 12.0	5,101	255	3	5,359
<b>Total</b>		<b>6,078</b>	<b>255</b>	<b>3</b>	<b>6,336</b>
<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>

### 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	2012	2011	2012	2011
		( in million Baht)			
<b>United States Dollars</b>					
Cash and cash equivalents	6	10	13	2	4
Trade accounts receivable	7	109	112	94	98
Other current assets	10	122	126	19	20
Short-term loans from financial institution		(162)	(169)	(162)	(169)
Short-term loans from other parties		(120)	(127)	-	-
Current portion of long term loan from financial institutions		(941)	(1,447)	-	-
Bonds		(477)	(1,095)	(477)	(1,095)
Trade accounts payable	18	(6,809)	(12,750)	(5,374)	(9,692)
Other payables and accrued expenses	19	(829)	(825)	(235)	(216)
Accrued interest expenses	21	(3,543)	(2,865)	(2,051)	(1,597)
Other current liabilities	23	(48)	(81)	(23)	(56)
Liabilities under rehabilitation plan	24	(93)	(100)	-	-
<b>Gross exposure in statements of financial position</b>		<b>(12,781)</b>	<b>(19,208)</b>	<b>(8,207)</b>	<b>(12,703)</b>
Estimated forecast purchases		(2,614)	(2,545)	-	(212)
<b>Gross exposure</b>		<b>(15,395)</b>	<b>(21,753)</b>	<b>(8,207)</b>	<b>(12,915)</b>
<b>Others</b>					
Other current assets	10	31	38	10	21
Trade accounts payable	18	(120)	(124)	(92)	(94)
Other payables and accrued expenses	19	(11)	(19)	(9)	(10)
Other current liabilities	23	(2)	(2)	-	-
Liabilities under rehabilitation plan	24	(13)	(13)	-	-
<b>Gross exposure in statements of financial position</b>		<b>(115)</b>	<b>(120)</b>	<b>(91)</b>	<b>(83)</b>
Estimated forecast purchases		324	(289)	-	-
<b>Gross exposure</b>		<b>(439)</b>	<b>(409)</b>	<b>(91)</b>	<b>(83)</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 7). 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.

### ***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 2012 and 2011.

### ***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.



## 44 Commitments with non-related parties

### 44.1 Commitments

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
	(in million Baht)			
<b>Capital commitment</b>				
<i>Contracted but not provided for</i>				
Buildings and other constructions	83	83	83	83
Machinery and equipment	175	175	175	175
<b>Total</b>	<b>258</b>	<b>258</b>	<b>258</b>	<b>258</b>
<b>Lease and service agreement commitments</b>				
Within one year	11	12	7	7
After one year but within five years	20	4	14	2
<b>Total</b>	<b>31</b>	<b>16</b>	<b>21</b>	<b>9</b>
<b>Other commitments</b>				
Bank guarantees	25	447	24	262

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.

### 44.2 Lease and service agreements commitments

#### *The Company*

- 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.
- 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.
- 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.

	<b>Separate financial statements</b>	
	2012	2011
	<i>(in million Baht)</i>	
<b><i>Long-term agreement commitments of the Company</i></b>		
Within one year	115	105
After one year but within five years	458	420
After five years	115	210
<b>Total</b>	<b>688</b>	<b>735</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 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>	
	2012	2011
	<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	283
After five years	482	553
<b>Total</b>	<b>836</b>	<b>907</b>

#### **44.3 Raw material purchase orders**

##### ***The Company***

As at 31 December 2012, the Company had outstanding purchase orders for raw materials that have not been delivered to the Company totaling Baht 754 million (2011: Baht 677 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 4-7.5 % per annum on the unreleased raw materials from the boarding date on ship through the date on which the materials have been fully paid. (2011: 4% to 6% per annum)

##### ***G J Steel***

As at 31 December 2012, G J Steel had outstanding purchase orders for raw materials that have not been delivered to G J Steel totalling Baht 3,459 million (2011: Baht 2,102 million).

G J steel has estimated the provision for loss in respect of outstanding purchase orders for raw materials that have not been delivered at approximately Baht 41 million (2011: Baht 146 million) based on comparison with the economic benefits expected to be received in the form of estimated sales prices and the conversion costs of finished products and has recorded the provision for this loss in the financial statements for the year ended 31 December 2011 (Refer to Note 22).

As at 31 December 2012, 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 6.40% to 6.79% per annum on the unreleased raw materials in addition to the payables balance (2011: 1% to 6.45% per annum)

#### **44.4 Customer advances**

As of 31 December 2012, the Company had received advances from customers totalling Baht 108 million (2011: Baht 466 million) and had the obligation to deliver goods to the customers in the future. G J Steel had received similar advances totalling Baht 601 million as at 31 December 2012 (2011: Baht 560 million).

As referenced in Note 1.3, 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.

#### **44.5 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.

## 45 Litigation

The Company and GJ Steel have complaint cases as followed;

### 45.1 *The Company*

#### a) Supplier complaint cases

Currently, there are three cases pending with the court in which the supplier having its details as followed:

1) The trade creditor demands the Company to pay, as award of American Arbitration Association, the outstanding debt in amount USD 3.05 million including default interest in amount USD 0.23 million lawyer expenses in amount USD 0.04 million and arbitration expenses in amount USD 0.05 million, summing in total USD 3.37 million (equivalent to Baht 106.19 million)

This case is pending at the Central Intellectual Property and International Trade Court in which the Court set the date of hearing the witnesses on the date of 23 April 2013 and 2 May 2013.

2) The trade creditor demands the Company to pay, as award of Singapore Arbitration, the outstanding debt in amount USD 93.72 million including default interest in amount USD 11.08 million and arbitration expenses in amount USD 0.39 million, summing in total USD 105 million (equivalent to Baht 3,237.86 million)

This case is pending in the Central Intellectual Property and International Trade Court in which the Court set the date of hearing respondent witnesses for injunctive relief on the date of 18 March 2013 and 29 April 2013.

3) The trade creditor demands the Company to pay the outstanding debt in amount Baht 2.49 million including default interest at the rate of 7.5% per annum counting from 30 December 2010. The interest counted through the date of the complaint was filed in amount Baht 0.36 million, summing in total Baht 2.85 million.

The Southern Civil Court issued the judgement follow the compromise agreement in court on date 11 February 2013.

### 45.2 *G J Steel*

#### a) *Suppliers complaint pending litigation*

Twenty two suppliers filed a complaint against G J Steel for breach of several agreements related to sales and purchases and rehabilitation plan in the amount of Baht 141 million together with interest at the rate of 7.5% per annum on the principal amount of Baht 113 million from the date of filing the complaint until the date of full repayment and together with interest at the rate of 15% per annum on the principal amount of Baht 4 million from the date of filing the complaint until the date of full repayment. Presently, the five cases compromise has 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 41 million as at 31 December 2012.

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

According to Black Case No. Kor. Kaw. 5/2548 dated 21 January 2005, the Company 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. G J Steel does not agree with this decision, therefore, on 24 April 2009, G J 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) *Central Labour Court***

A former employee filed a complaint to the Central Labour Court against G J Steel for alleged breach of an employment agreement and demands G J Steel to pay him together with interest at the rate 7.5% per annum from the date of filing. Presently, this case is pending in the Central Labour Court.

**d) *The Second Section of Labour Court***

A former employee filed a complaint to the Second Section of Labour Court against the Company for the lay-off and demands the Company to pay him together with interest at the rate 7.5% per annum from the date of filing. Presently, this case is pending in the Second Section of Labour Court.

## **46 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.

## 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
TFRS 8	Operating Segments	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.

### *TFRS 8 - Operating segments*

The principal change introduced by TFRS 8 is the introduction of the concept of presenting operating segments based on the information that internally is provided to the Group’s chief operating decision maker. Since the change in accounting policy only impacts disclosure aspects, there is no impact on the Group’s financial statements.



## 48 Events after the reporting date

### *The Company*

#### **48.1 The Company's EGM no.1/2013**

The Company's EGM no. 1/2013 held on 7 January 2013 passed the following resolutions:

- 1 Approve the cancellation of the allocation of shares for the debt-to-equity conversion plan of Stena Metall Limited in the amount of 1,667 million shares as approved in Agenda 8.1 of the the Company's EGM No. 1/2012 held on 6 August 2012
- 2 Approve the debt-to-equity conversion plan with conversion condition.
- 3 Approve the allocation of not exceeding 5,321 million newly issued ordinary shares at Baht 1 par value per share to the Company's creditors totalling 11 creditors pursuant to the debt-to-equity conversion plan at Baht 0.50 per share, which is an allocation by way of private placement.
- 4 Approve the investment of shares in G J Steel as follow;
  - Acknowledge the issue and offering by G J Steel of not exceeding 59,855 million newly issued ordinary shares by way of rights offering and approve to support the increase of capital plan of G J Steel by the renunciation of the right of the Company in subscription of the newly issued ordinary shares of G J Steel by way of rights offering. However, the Company will subscribe for the newly issued ordinary shares paid through the debt-to-equity conversion plan and/or in cash.
  - Approve to joint the debt-to-equity conversion plan of G J Steel and the subscription of not exceeding 28,503 million newly issued ordinary shares of G J Steel by the Company and/or its subsidiaries paid through the debt-to-equity conversion plan and/or in cash.
  - Approve the authorization of managing directors of the Company to specify conditions and details and all necessary and appropriate procedures relating to the investment in G J Steel.
- 5 Approve the appointment of a management company to supervise and manage the businesses of the Company.

#### **48.2 Rights Offering of Shares and Warrant of the Company**

According to million the General Mandate no.1 that the Company will issue the shares of up to 1,351 million shares, par value Baht 1 per share, by Rights Offering to the existing shareholders at the ratio of 15 existing shares per 1 newly issued ordinary share at the price of Baht 0.40 per share and issue GSTEL-W2 up to 1,351 million units to the existing shareholders who subscribe the said share at the ratio of 1 allocated new share per 1 warrant at the price of Baht 0.002 per unit. The subscription period was scheduled for 24-25 and 28-30 January 2013. The result is as follows; 1,349 million shares and 1,349 units of warrant were allocated to the existing shareholders, resulting in proceeds of Baht 543 million. Currently, the registration is in process at the Ministry of Commerce.

#### **48.3 The Board of Directors' meeting of the Company**

During January 2013, the Board of Directors meeting no.1/2013 dated 17 January 2013 and no.2/2013 dated 21 January 2013 passed the significant resolution as follow;

1. Approve the appointment of the Brooker Group Public Company Limited as the financial advisor of the Company to study and implement the merger of the whole business of the Company and G J Steel.

2. Ratify the appointment of a management company to supervise and manage the businesses of the Company.
3. Approve taking the obligation amounting to Baht 684 million to a shareholder who is the guarantor of OAC.
4. Ratify the loan from GS Securities amounting to Baht 684 million in order to repay to a shareholder according to the Court Order.

The meeting of the Board of Directors No. 3/2013 held on 8 February 2013 passed the significant resolutions as follows;

1. Approved the cancellation of 4,906 million shares allocated to the creditors of the Company pursuant to the existing debt-to-equity conversion program and the new debt-to-equity conversion program as well as to propose this matter to the Extraordinary General Shareholders Meeting No. 2/2013 (“EGM 2/2013”).
2. Approved the issuance and offering of convertible debentures of not exceeding Baht 950 million as well as to propose this matter to the EGM 2/2013.
3. Approved the reallocation of the authorized but unissued shares of the Company and to propose this matter to the EGM 2/2013.
4. Proposed to the EGM 2/2013 to ratify the issued price for the range of Baht 0.40 to Baht 0.50 per share for the rights offering under the General Mandate for the amount up to 2,400 million shares.
5. Approved to call and schedule the Company’s EGM No. 2/2013 on 18 March 2013, the significant agendas are as follow:
  - Acknowledge the appointment of AlixPartners International LLC, (“AlixPartners”) and Renaissance Advisory Limited (“RA”) as the Company’s overall restructuring advisor and a consultant in corporate finance, legal, and commercial.
  - Cancellation of the 4,906 million shares allocated to certain creditors pursuant to the debt-to-equity conversion program approved in the Company’s EGM No. 1/2013.
  - Approve the debt-to-equity conversion program with certain creditors.
  - Issue and offering of convertible debentures of not exceeding Baht 950 million.
  - Approve reallocation of newly issued ordinary shares as follows.
    - Allocation of not exceeding 3,135 million new shares at Baht 0.50 per share to its creditors pursuant to the debt-to-equity conversion program.
    - Allocation of not exceeding 1,900 million new shares at Baht 0.50 per share to reserve for the conversion of the convertible debentures.
    - Allocation of not exceeding 100 million new shares at Baht 0.50 per share to the shareholders of GS Notes 2 by way of a private placement pursuant to the Bond Exchange Program 2 and to approve the valuation of the share exchange ratio at 1 GS Notes 2 share to 10 shares of the Company.



- Allocation of not exceeding 2,531 million new shares at Baht 0.50 per share to the shareholders of GS Securities by way of a private placement pursuant to the group companies debenture program and to approve the valuation of the share exchange ratio at 1 GS Securities share to 20 shares of the Company.
- Allocation of not exceeding 99 million new shares at Baht 0.50 per share to AlixPartners as part of its remuneration. AlixPartners will use such newly issued shares of GS Securities as payment for the Company's newly issued shares and to approve the valuation of the share exchange ratio at 1 GS Securities share to 20 shares of the Company.
- Allocation of not exceeding 47.5 million new shares at Baht 0.50 per share to RA as part of its remuneration. RA will use such newly issued shares of GS Securities as payment for the Company's newly issued shares and to approve the valuation of the share exchange ratio at 1 GS Securities share to 20 shares of the Company.
- Allocation of not exceeding 807 million new shares (as the remaining amount of shares previously approved in the Company's EGM No.1/2012) at Baht 0.50 per share to The Brooker Group Public Company Limited and/or its subsidiaries ("Financial Advisor") in consideration of the advice for the debt restructuring, the assistance rendered for raising new sources of fund and/or provide loan and credit facilities and other relevant tasks which the Financial Advisor will use the newly issued shares of GS Securities as the payment for the newly issued shares of the Company and to approve the valuation of the share exchange ratio at 1 GS Securities share to 20 shares of the Company.
- Allocation of not exceeding 400 million new shares (in addition to the amount previously approved in the Company's EGM No. 1/2012) at Baht 0.50 per share to the Financial Advisor in consideration of the additional work performed in respect of the advice for the debt restructuring, the assistance rendered for raising new sources of fund and/or provide loan and credit facilities and other relevant tasks which the Financial Advisor will use the newly issued shares of GS Securities as the payment for the newly issued shares of the Company and to approve the valuation of the share exchange ratio at 1 GS Securities share to 20 shares of the Company.
- Allocation of not exceeding 240 million new shares at Baht 0.50 per share to the Financial Advisor for the consideration of the advice for the Merger and Acquisition. The Financial Advisor will use such newly issued shares of GS Securities or other subsidiary of the Company as payment for the Company's newly issued shares, as a result, the payment made to the Company for the newly issued shares is in kind other than in cash and to approve the valuation of the share exchange ratio at 1 GS Securities share to 20 shares of the Company.
- Offering of 2,400 million new shares to existing shareholders of the Company by rights at Baht 0.40 per share.

#### **48.4 Change of directors and turnaround plan**

On 17 and 21 January 2013, the Company announced the appointment of seven directors to the Company's board of directors to replace the directors who resigned. The directors who were appointed are as shown below;

1. General Lertrat Ratanavanich
2. Mr. Ivo Naumann
3. Mr. William Anthony Gloyne
4. Mr. Flemming Jensen
5. Mr. Paniti Junhasavasdikul
6. Mr. Michael Wyer
7. Mr. Teerapol Pussadet

During October - November 2013 the Company engaged Alix Partners LLP, a specialist company turnaround consulting firm with expertise in heavy industry, to conduct a detailed review of the business and to provide a turnaround plan. The turnaround plan implementation formally began on 5 February following the fund raising (Rights Offering) of January 2013. In parallel with the Alix Partners team the Company has appointed new, external persons as Directors in the positions of Chief Financial Officer, Commercial (Procurement & Sales) Director and Legal Counsel.

#### **48.5 Forced sale of G J Steel's shares held by the Company and OAC by the creditors of the Company and OAC**

During January and February 2013, the creditors of the Company and OAC enforced the sale of part of G J Steel's shares which were pledged as collateral for the benefit of certain creditors in the amount of 3,471 million shares as detailed below;

	Shares (in million share)
<b><i>G J Steel's shares held by the Company</i></b>	
Forced sale by a major trade creditor	806
Forced sale by a business alliance	450
Total	1,256
<b><i>G J Steel's shares held by OAC</i></b>	
Forced sale by a Lender of OAC	2,215
<b>Total</b>	<b>3,471</b>

Moreover, G J Steel's Warrants held by OAC was forced by OAC's lender in the amount of 78 million units.

#### **48.6 Share sale with right of redemption**

On 21 January 2013, the Company entered into G J Steel's share sale with right of redemption with a third party ("Buyer") amounting to 475 million shares valued at Baht 32 million. The Buyer will allow the Company to redeem the shares over the period from 28 February 2013 to 23 July 2013 by payment of Baht 32 million together with interest at 15% per annum starting from the contract date.

#### ***48.7 Termination of the Mandate with SB Plc***

As the preparation, execution and delivery of Facility Documents by SB Plc was not completed within the prescribed completion date and without the prospect of the finance facilities being completed in the near future, the Company and G J Steel exercised their termination rights under the SB Plc Mandate on 10 January 2013.

#### ***48.8 Arrangement of New financing facilities including the Raw Material Supply Facility (“RMS Facility”)***

Following termination of the SB Plc Mandate, the Company signed a mandate letter with Chimaera Capital Markets (“CCM”) for the provision of credit facilities to the Company. Under this mandate, CCM has been appointed as the exclusive lead arranger and syndicate leader of RMS Facility for up to USD 100 million.

#### ***48.9 Financial Assistance Agreement and Loan Agreement***

On 16 January 2013, the Company entered into a financial assistance agreement with a company (“the Supporter”). The Supporter agreed to provide financial assistance for an amount not more than Baht 50 million as an advance from customers. The Supporter has already made the first advance of Baht 36 million and the Company agreed, that after the Company resumes the production, the Company will provide a discount of Baht 300 per ton of HRC and deduct this discount from the advance amount until the full amount is repaid. The Company agreed to provide 800 million shares of G J Steel as collateral for this first advance.

In addition, on 28 January 2013 and 4 February 2013, the Company entered into two loan agreements with the Supporter in total amount of Baht 40 million, interest at 18% per annum. The Company provided 363.6 million shares of G J Steel as collateral in the total amount of 727.2 million shares. Moreover, the Company will repay the principal and interest to the Supporter within 28 July 2013 and 5 August 2013.

#### ***48.10 Shareholder 2 claim***

On 8 February 2013, Shareholder 2 filed a case with the South Bangkok Civil Court to demand that OAC and/or the Company to pay the debt on guarantee obligation for an amount of Baht 678 million plus interest at a rate 15% per annum as well as compensation for the losses arising from the lost opportunity to receive the warrants. The Claimant assessed the interest charge and other damages at Baht 311 million bringing the total claim at Baht 989 million. OAC and the Company are in the process of negotiation with Shareholder 2.

Shareholder 2 has filed a claim with the South Bangkok Civil Court to be indemnified on the same terms as Shareholder 1 claim.

#### ***48.11 Redemption of G J Steel’s debentures and indemnification of the Company Shareholder 1***

On 15 January 2013, the Company borrowed an amount of Baht 684 million, bearing interest at 3% per annum, by entering into a loan agreement with GS Securities for the purpose of the partial settlement of a claim of Shareholder 1 against the Company and OAC. Previously, Shareholder 1 had assigned all its rights, title and interests in and over a Partial Settlement of its claims as ordered by the Bangkok South Civil Court on 25 October 2012, to World Access International Holdings Limited, Hong Kong, (“World Access”). World Access appointed Ban Chang Group Public Company Limited (“Ban Chang”) as its agent.

On 31 January 2013, G J Steel redeemed part of its outstanding debentures with GS Securities including accrued interest, for an amount of Baht 684 million as part of the approval of G J Steel's EGM 1/2013, bearing interest at 3% per annum. GS Securities and the Company instructed G J Steel to pay directly to the account of Ban Chang in its capacity of agent of the Company's shareholder.

Accordingly, G J Steel transferred Baht 684 million from its accounts to Ban Chang.

#### ***48.12 The payment to the Lenders of OAC's loan by the Company***

On 21 February 2013, G J Steel partially redeemed its debentures from GS Securities for a net amount of Baht 403 million and in the meantime the Company borrowed from GS Securities amounting to Baht 403 million and then provided a loan to OAC for an amount of Baht 403 million in order for OAC to repay debt to its financial institution creditor, with interest at 8% per annum with the first repayment on 30 December 2013 and will pay every last working day of each year until the principal is repaid in full. The principal is scheduled to be repaid within 30 December 2017. As at the date of this report, G J Steel do not pay Baht 403 million and will pay to GS Securities when the settlement agreement of OAC's loan will have been finalised.

The Company's Board of Directors meeting no. 4/2013 held on 1 March 2013 passed the resolution approving the Settlement Agreement of OAC (as Borrower) with its financial institution creditors (as Lenders) and the payment as per the Settlement Agreement by the Company (as Corporate Guarantor). On 25 January 2013, Lenders filed a complaint against OAC and the Company as guarantor to repay all the outstanding balance of debt own by debt. The Borrower owes to the Lenders an aggregate amount of approximately USD 48 million. The Company is offering a single payment in the amount of USD 13 million (the "Release Payment") as full and final settlement of all of the outstanding liabilities. The Settlement Agreement is being circulated for signing among the parties.

#### ***48.13 Shares issued for the Company's debt restructuring program***

On 21 February 2013, the Company registered the increase in the Company's issued and paid-up share capital with the Ministry of Commerce by Baht 784 million comprising 784 million shares with par value of Baht 1 per share. These shares were issued to support the Company's debt restructuring program. The allocation of shares issued was as follows.

- 415 million newly-issued ordinary shares were allocated to four creditors of the Company.
- 368 million newly-issued ordinary shares were allocated to the Company's financial advisor in respect of the Company's debt restructuring program and the assistance rendered for raising new sources of fund and/or provides loan and credit facilities and other relevant tasks. The financial advisor made payment for the Company's newly-issued shares by transferring 18 million shares of GS Securities to the Company with the par value of Baht 10 per share to the Company. The transfer price was Baht 0.50 per share.

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### ***48.14 GJS Notes Holdings Company Limited***

GJS Notes Holdings Company Limited (a subsidiary of G J Steel which holds 99.99 of the authorised share capital) has been registered with the Ministry of Commerce on 25 January 2013. GJS Notes Holdings Company Limited has authorised share capital of Baht 0.2 million. The objective of GJS Notes Holdings Company Limited is to support G J Steel's restructuring program.

### ***48.15 G J Steel's EGM no.1/2013***

On 7 January 2013, G J Steel's EGM no.1/2013 passed the following resolutions;

1. Approval of the debt-to-equity conversion of debt owed to the Company, OAC and GS Securities amounting to Baht 2,051 million.
2. Reduction of G J Steel's registered share capital by 3,234 million shares, with a par value of Baht 0.69 per share, from the existing registered capital of Baht 40,478 million to Baht 38,247 million by cancelling G J Steel's unissued shares.
3. Increase of G J Steel's registered share capital from Baht 38,247 million to Baht 129,980 million by issuing up to 132,947 million ordinary shares, at a par value of Baht 0.69 per share to existing shareholders, the Company and/or subsidiaries and Financial Advisor.
4. Issuance and offering of new warrants up to 5,986 million units ("GJS-W3) to existing shareholders which give the right to subscribe to newly issued ordinary shares (Rights Offering: "RO") in the ratio of 10 new ordinary shares with 1 unit of GJS-W3. GJS-W3 has a seven-year maturity from the issuance date with an exercise ratio of one GJS-W3 unit for 4 new ordinary shares of G J Steel with an exercise price of Baht 0.15 per share.
5. Issuance and offering of GJS-W4 up to 2,850 million units to the Company and/or subsidiaries in a private placement in the ratio of 10 new ordinary shares with 1 unit of GJS-W3 GJS-W4 has a seven-year maturity from the issuance date with the exercise ratio at a GJS-W4 unit: 4 new ordinary shares of the Company with the exercise price of Baht 0.15 per share.
6. Allocation of G J Steel's newly issued ordinary shares as follows:
  - 6.1 To allocate up to 59,855 million newly issued ordinary shares at an offering price of Baht 0.08 per share to the existing shareholders under RO, at a ratio of 1 existing share to 1.5 new ordinary shares.
  - 6.2 To allocate up to 23,942 million newly issued ordinary shares in order to support the exercise of the warrants allocated to G J Steel's existing shareholders under RO.
  - 6.3 To allocate up to 28,503 million newly issued ordinary shares at an offering price of Baht 0.08 per share to the Company and/or subsidiaries who are G J Steel's creditors under the debt to equity conversion plan and/or in cash by way of private placement.
  - 6.4 To allocate up to 11,401 million newly issued ordinary shares in order to support the exercise of the warrants allocated to the Company and/or subsidiaries under private placement.

6.5 To allocate up to 1,600 million newly issued ordinary shares at the offering price of Baht 0.08 per share, to Financial Advisor under private placement in consideration of the advice provided for the capital raising and capital restructuring. The Financial Advisor will make payment in kind for these shares in the form of shares of subsidiaries of G J Steel.

6.6 To allocate up to 7,286 million newly issued ordinary shares to support the adjustment of the exercise price of GJS-W2 due to the issue and offering of new shares and warrants at discount.

After the adjustment of the exercise price of GJS-W2, the exercise price of GJS-W2 changed from Baht 0.25 per share to Baht 0.207 per share and the exercise ratio changed from one GJS-W2 unit for 3 new ordinary shares of G J Steel to one GJS-W2 unit for 3.63 new ordinary shares of G J Steel.

6.7 To allocate up to 359 million newly issued ordinary shares to support the adjustment of the exercise price of ESOP warrants due to the issue and offering of new shares and warrants at discount.

After the adjustment of the exercise price of ESOP warrants, the exercise price of ESOP warrants changed from Baht 0.69 per share to Baht 0.571 per share and the exercise ratio changed from one ESOP warrant unit for a new ordinary shares of G J Steel to one ESOP warrant unit for 1.21 new ordinary shares of G J Steel.

7. Appointment of a management company to manage G J Steel's business.

#### ***48.16 Change of G J Steel's directors***

On 17 and 21 January 2013, G J Steel announced the appointment of six directors to G J Steel's board of directors to replace the directors who resigned. The directors who were appointed are as shown below;

- 1 General Lertrat Ratanavanich
- 2 Mr. Ivo Naumann
- 3 Mr. William Anthony Gloyne
- 4 Mr. Flemming Jensen
- 5 Mr. Paniti Junhasavasdikul
- 6 Mrs. Churairat Panyarachun

#### ***48.17 G J Steel's Board of Directors' Meeting no.3/2013***

On 8 February 2013, G J Steel's Board of Directors' Meeting no.3/2013 passed the following resolutions;

- Allocation up to 215 million new shares at Baht 0.11 per share to Renaissance Advisory Limited ("RA") as of part of its remuneration. RA will obtain those shares in exchange for shares in GJS Notes at a ratio of 1 share GJS Notes for 72.727 shares of G J Steel.
- Approval of the valuation of the shares in GJS Notes to be exchanged for the Company's new shares to be issued to Financial Advisor in lieu of their fees at the ratio of 1 GJS Notes share to 100 shares of G J Steel.
- Approved to call and schedule G J Steel's EGM No.2/2013 on 18 March 2013.



#### *48.18 The results of sale of G J Steel's newly issued shares and warrants*

On 13 February 2013, G J Steel announced the results of sale of G J Steel's newly issued ordinary shares of 64,286 million shares at par value of Baht 0.69 per share as follows;

a) The existing shareholders

A total of 59,855 million ordinary shares were allocated to the existing shareholders at an offering price of Baht 0.08 per share, of which 36,744 million shares were subscribed, resulting in proceeds of Baht 2,940 million. The Company and OAC waived their right to subscribe the remaining 23,111 million shares.

b) Private placement to the Company and and/or subsidiaries

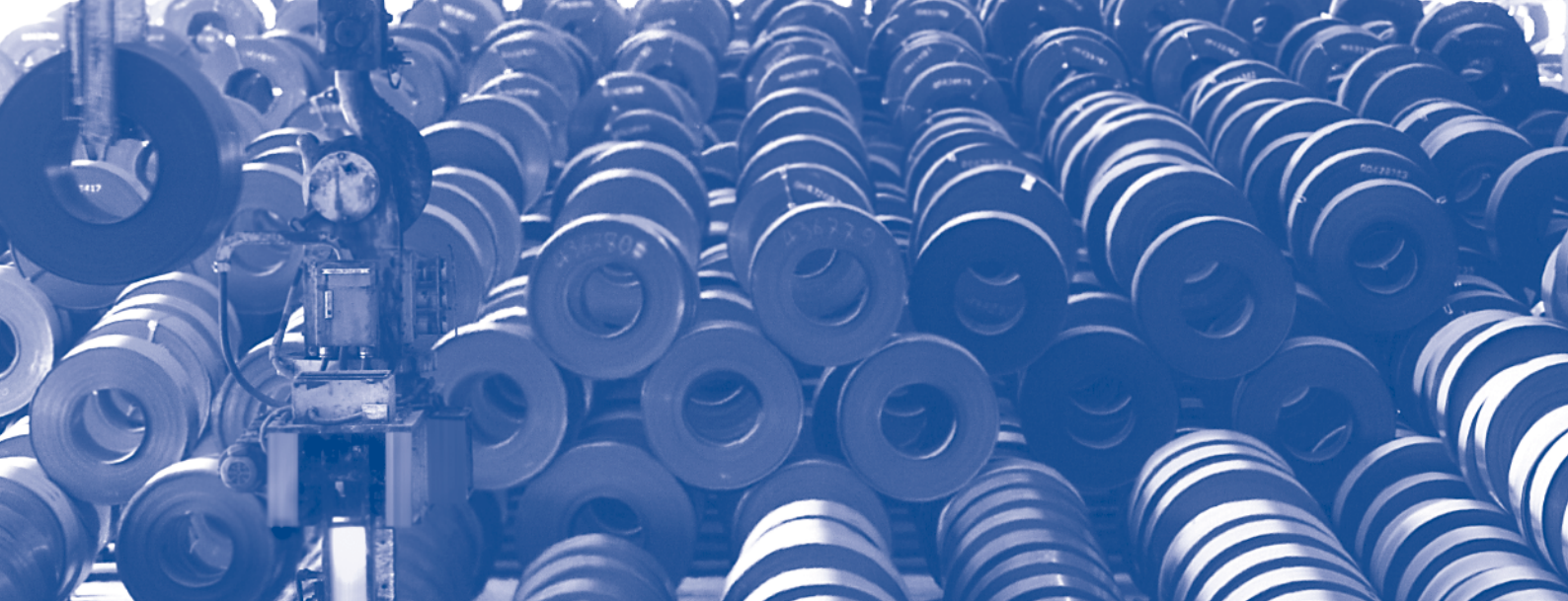
A total of 28,503 million ordinary shares were allocated to the Company and/or subsidiaries under a private placement at an offering price of Baht 0.08 per share, of which 27,541 million shares were subscribed and paid up by conversion of outstanding debts with G J Steel for an amount of Baht 2,051 million and in cash for an amount of Baht 152 million. The remainder of unsold shares for this lot is 962 million shares.

The remaining unsubscribed shares from placement with existing shareholders and the private placement with the Company and/or subsidiaries of 24,073 million shares will be presented to the shareholders' meeting for further consideration.

On 14 February 2013, G J Steel announced the results of issuance and allocation of GJS-W3 to the existing shareholders who subscribed for newly issued ordinary shares and were allocated 3,675 million units of GJS-W3, at the offering price Baht 0 per unit. The remaining unallocated 2,311 million units arose from the Company and/or subsidiaries waiving their subscription rights to the newly issued ordinary shares.

On 27 February 2013, G J Steel announced the results of issuance and allocation of GJS-W4 to G Steel and/or subsidiaries were allocated 2,850 million units of GJS-W4, at the offering price Baht 0 per unit. The remaining unallocated for this lot is 96 million units.

The remaining warrants and ordinary shares reserved for such warrants will be presented to the shareholders' meeting of G J Steel for further consideration.



# GSteel

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