

## 1. Highlights

	Unit: million Baht	2014	2015
GROUP	Group Revenues	23,941	22,826
	Group Sales Volume (k tons)	1,101	1,343
	Group EBITDA	284	(1,721)
	Group Net Profit (Loss)	(2,166)	(4,345)
	Total Liabilities	21,253	21,519
	Total Asset	37,467	33,436
	Total Equity	16,214	11,917
HRC	HRC Sales (k tons)	1,101	1,343
	HRC Production Volume (k tons)	1,171	1,296
	HRC Average Selling Price (Bht./ton)	21,747	16,995
	HRC Cash Margin (Bht./Ton)	2,269	867

In summary of G steel Group's performance, the consolidated financial posted loss of THB 4,343 M was mainly from the non-cash items and some of these items are under restructuring plan. The major non-cash items that affected to the bottom line are;

- Depreciation : THB 1,912M
- Un-realized of FX loss : THB 463 M
- Accrued interest of the legacy debt (Trade Creditor since year 2008) : THB 690 M
- Provisions : THB 250M

### Sales performance

- Sales volume: G Steel group have made a new recorded of sales and operations since they resumed the operation in year 2013 (G J Steel) and 2014 (G Steel) as the group recorded their sales at 1,340 K tons comparing to 943 K tons in year 2014, up by 42.16%. The significant increase of sales volume proved that the local supply could not meet the local demand.

- Price : The average selling price of HRC in year 2015 was down by 18% comparing to year 2014 which was in line with the Global market. The down trend was over as we have seen the upward trend since the last week of December 2015 and still see the continuation in the first two months of year 2016.

## 2. Business Outlook on Q1/2016

- HRC Sale Volume expect to increase 35%, the same volume as Q4/2015
- HRC Average Selling Price increase, as a result of an increase in HRC world market price.

## 3. Group CEO's Message

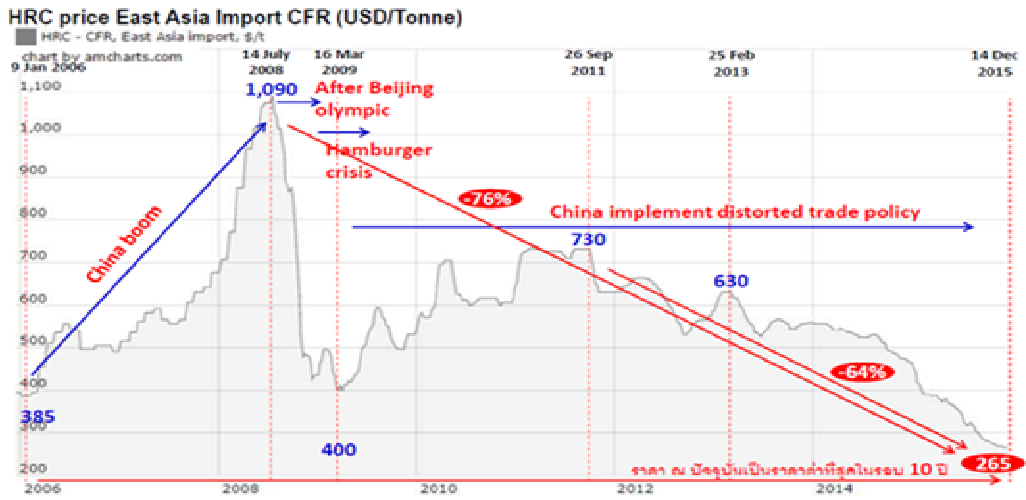
Management's Discussion and Analysis (MD&A) and operating results for the year ended December 31, 2015

### Executive Summary

Overview of Thailand steel industry in 2015 experienced difficulties in many aspects. Both in terms of the economic recovery not yet improved and caused the demand for steel in various industries declined, such as construction industry, electrical appliance industry. Also the problem on over supply of global steel production whereas the demand contraction led to the crisis of the global steel industry. Mainly due to the problem of excess capacity in the steel industry from China that arose from lower economic growth, as a result, Chinese manufacturers had to export more steel products to global market. Further, the subsidies policy from the Chinese government supported the exporters, steel products from China are still spilling into the importing countries such as Thailand's, both directly and indirectly. As a result, steel prices worldwide in 2015 were the lowest in the past 10 years and affect the profitability of the steel industry.

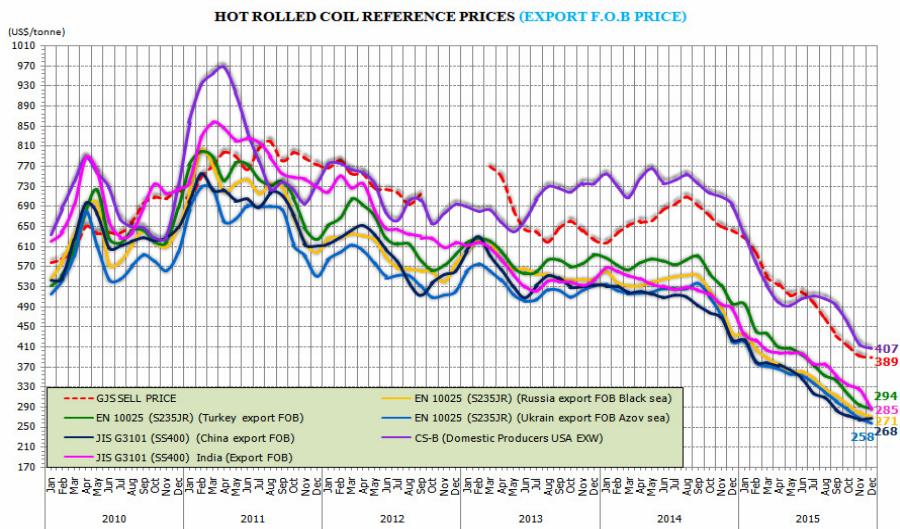
However, the Company, produced in hot-rolled coil steels, has higher in production volume in 2015 which increased 17 percent, with a total production of 576,996 tons. The company has only produced in off-peak period which use less electricity and has a low tariff with the 2015 production utilization at 74 percent compared to the full off-peak capacity. Besides, the Company's sale volume in 2015 rose 43 percent with the sale volume at 614,879 tons. As the steel price drop globally as mentioned above, the Company's selling price decreased 22 percent in 2015, moreover, the impact of the baht weakened from the previous year caused the Company had a foreign exchange loss. As a result, the Company still had a net loss in the past year

Global HRC price in 2015



Source: Steel Business Briefing

Local HRC Price in 2015 followed global trend

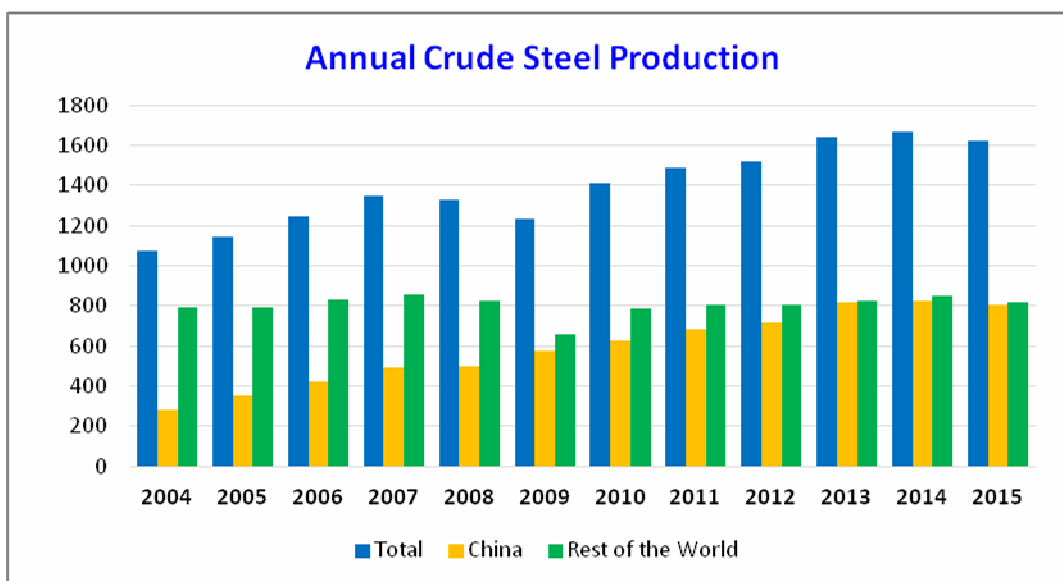


Source: Metal Expert, GJS

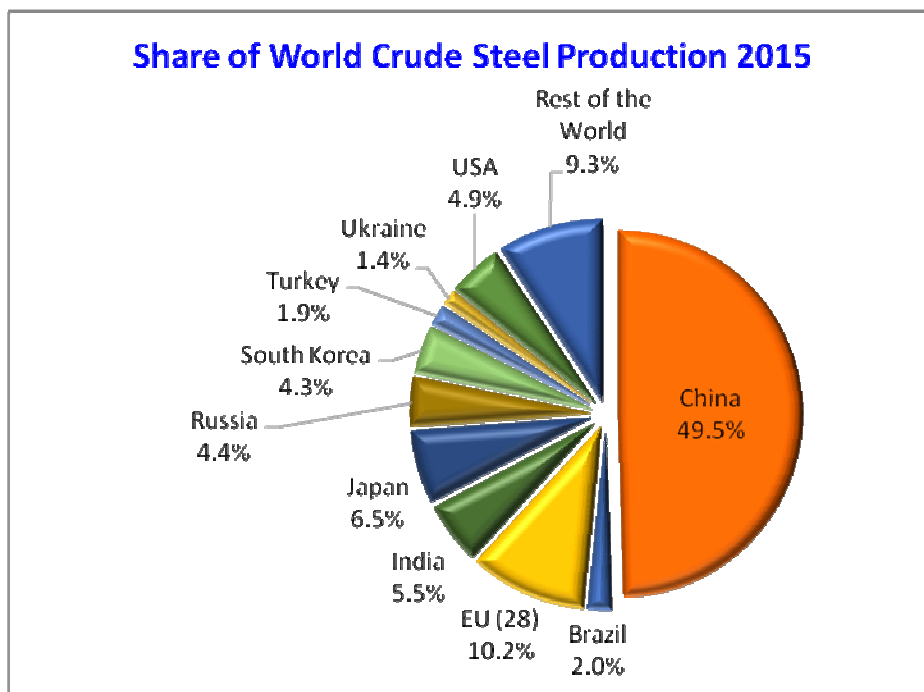
4. Industry Overview and Outlook

Overview

**World Steel Industry:** The total crude steel production in Q4/2015 was 387.1 million metric tons, a -2.6% decrease as compared to the previous quarter and a -4.3% decrease as compared to the same period of last year; making 2015 world crude steel production reached 1,622.8 million tonnes, down by -2.8% compared to 2014.

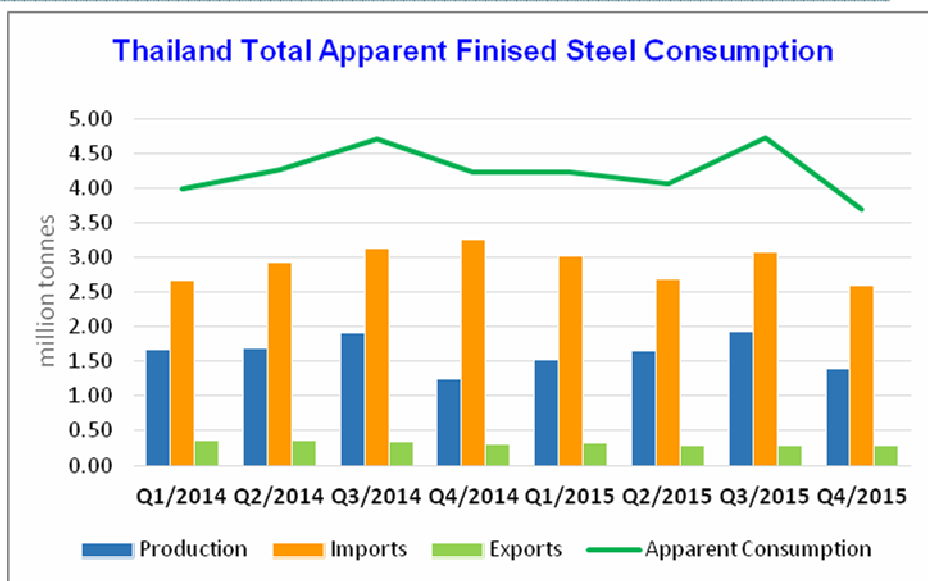


World crude steel production in 2015 decreased in all regions, except only Oceania region and China's share increased from 49.3% in 2014 to 49.5% in 2015. The volume of Chinese steel mill exports increased by +20.5% to 110 million



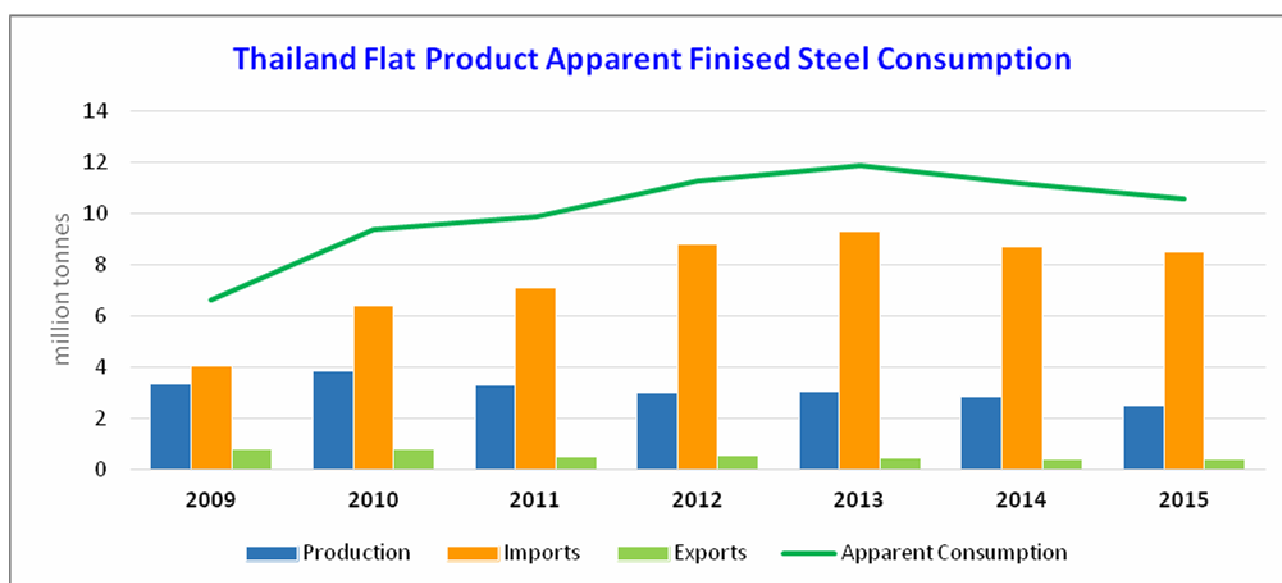
tonnes in 2015 over 91.3 million tonnes in 2014 and the steel price has plummeted in 2015 to the lowest point since the USSR collapse crisis in 1997.

Thailand Steel Industry: Total steel domestic production of Q4/2ne015 was 1.37 million tonnes, up by +10.3% from the same quarter of last year but down by -28.4% QoQ; total HRC production in the quarter was approximately 6.0 thousand metric tons, decreased by -5.4% as compared to the same period of 2014. As compared to Q4/2014, the



volume of finished imports decreased -20.5% and exports volume also decreased for -3.3%. The apparent steel consumption of Thailand in Q4/2015 was 3.7 million tonnes; down by -18.2% QoQ and -22.1% compared to last year same quarter.

Thailand's 2015 apparent steel consumption was 16.73 million metric tons, a -3.5% down compared to last year; long product 6.1 million tons and flat product 10.6 million tons (HRC product 6.72 million tonnes or 64% of flat product). Domestic production in 2015 was 6.5 million tonnes, reduced by -4.4%; long product production increased by +2.2% compared to 2014, while flat product production was only 2.5 million tonnes, down by -13.5%. Total finished imports was 11.4 million tonnes and the most imported product was HRC for 4.3 million tonnes, while exports volume was 1.4 million tonnes, up +7% from last year.



## 5. Performance of the Company and its Subsidiaries

### Financial Statement

With reference to the aforementioned financial statements, the Company reports a consolidated net loss of THB 4,345 million and THB 2,166 million for the year 2015 and 2014, respectively. The Company (separate) reports a net loss of THB 3,280 million and THB 1,944 million for the year 2015 and 2014, respectively. To this extent, the Company would like to provide the following explanations.

### Revenue from sales and cost of goods sold

Although domestic demand has not yet improved and the over supply of the HRC in the world is still exist, the Company could recorded a sales volume increase from 1,100,845 tons in 2014 to 1,343,103 tons in 2015, increase 22% (Separated Financial Statement: 430,427 tons and 614,879 tons, in 2014 and 2015 respectively).

Consolidated revenue from sales for the year 2015 and 2014 amounting to THB 22,826 million and THB 23,941 million, respectively, (Separate: THB 10,566 million and THB 9,428 million for the year 2015 and 2014, respectively), and consolidated gross loss amounting to THB 748 million and gross profit amounting to THB 543 million for the year 2015 and 2014, respectively, (Separate: gross loss THB 618 million and gross profit THB 21 million for the year 2015 and 2014, respectively). The major factors contributing to the reduction in gross profit of the year 2015 is the decrease in average selling price greater than the decrease in average cost of sales of goods. As it is a consequence of a raw materials price imported for previous 2-3 months, due to the lead time of imported raw materials.

In year 2015, Consolidated financial statement the Company recorded net loss at THB 4,345 million comparing to THB 2,166 million net loss for the year 2014 (Separate : THB 3,280 million net loss – year 2015 and THB 1,944 million net loss – year 2014).

The company would like to draw the attention for the loss from Non-recurring items amounting to THB 1,104 million of which mainly affected by;

- **Net foreign exchange loss**

The Company recorded consolidated net loss on foreign exchange (un-realized loss) for the year 2015 amounting to THB 1,096 million (Separate: THB 683 million). The loss is attributed to the devaluation of the Thai Baht versus the US dollar.

- **Bad and doubtful debts expense**

Total Bad and doubtful debts expense for the year 2015 amounting to THB 8 million (Separate: 89 million). Since the Company has some account receivable in foreign currency, when exchange rate is depreciate, the amount of receivable in term of Thai Baht decreased.

- **Selling expenses**

Consolidated selling expenses for the year 2015 and 2014 amounting to THB 486 million and THB 415 million, respectively, (Separate: THB 326 million and THB 262 million, respectively). The increase in selling expenses for the year 2015 is primarily attributed to the increase in sales volume.

- **Administrative expenses**

Consolidated administrative expenses for the year 2015 and 2014 amounting to THB 1,257 million and THB 1,507 million, respectively, (Separate: THB 635 million and THB 772 million, respectively). The decrease of THB 250 million (Consolidated) and THB 137 million (Separate) is primarily attributed to the decrease in idle expenses.

- **Financial costs**

Consolidated financial costs for the year 2015 and 2014 amounting to THB 690 million and THB 474 million, respectively. The increase of THB 216 million due to the fact that the Company debt mostly was USD basis, therefore, when exchange rate depreciate, amount of interest increase when convert to Thai Baht.

## 6. Consolidated Financial Status

### Statement of financial positions

- Total assets

As of December 2015, The Company and subsidiary had total asset amounted to THB 33,436 million, decreased 11% from year 2014. Total assets separate into current assets amounted to THB 2,343 million, decreased 47% from year 2014 and non current assets amounted to THB 31,093 million, decreased 6% from year 2014. Current assets major decreased from inventory due to more hot-rolled coil sale, as of December 2014 amounted to THB 3,331 million and as of December 2015 amounted to THB 1,688 million.

- Total Liabilities

As of December 2015, The Company and subsidiary had total liabilities amounted to THB 21,519 million, increased THB 266 million or 1% from year 2014. The results come from current liabilities increased THB 659 million and non current liabilities decreased THB 392 million due to accrued interest expenses increased from the depreciation in exchange rate.

- Total equity

As of December 2015, The Company and subsidiary had total equity amounted to THB 11,917, decreased THB 4,297 million or 27% from year 2014 due to the increase of loss.

## 7. Recent Development

### Development in Manufacturing Process

In the middle of world steel crisis and economics slowdown in 2015; for sustainable survival of the business, the company focused on reducing the conversion cost. While high-investment technology was quite unsuitable in this situation, in our case, small improvements have been implemented instead; increasing the working efficiency, reducing idle time, adjusting manufacturing practice and finding more competitive supplier, etc. As the result, the conversion cost of 2015 reduced significantly from last year, saving more than 350 million Baht over the year.

Electricity cost is the conversion cost biggest portion of the steel mill that has the Electric Arc Furnace (EAF); with good raw materials and several working practice adjustments, 2015 EAF electricity consumption decreased substantially from the year before and was the new low of the company operation record. By improving the melting process efficiency, the yield of the process (output weight/input weight) was also higher, resulting in a remarkably increase of overall yield in 2015. Many other consumable material consumptions; graphite electrode, oxygen gas, injected carbon, burnt lime, etc. had the positive effects too, as their unit costs decreased noticeably as compared to 2014.

## Appendix

Table 1: Average Prices of Slab, HRC, and Other Raw Materials

Unit: USD/ton	Q4/2014 Actual	Q1/2015 Actual	Q2/2015 Actual	Q3/2015 Actual	Q4/2015 Actual	Q1/2016 Estimate
Scrap Shedded	299	253	266	213	177	171
Pig Iron	373	318	270	238	175	175

Table 2: HRC Apparent Steel Supply in Thailand

Unit: ton	2015 Q4	2015 Q3	+/- QoQ	2014 Q4	+/- YoY	2015	2014	+/- YoY
tons	601,090	589,911	1.9 %	635,473	-5.41 %	2,470,046	2,854,685	-13.47 %

Table 3 : Estimation of HRC Apparent Steel Supply

Unit: ton	2014 Actual	Q1/2015 Estimate	Q2/2015 Estimate	Q3/2015 Estimate	Q4/2015 Estimate	2015 Estimate	(%) YoY
tons	6,495,236	1,644,897	1,667,438	1,690,287	1,713,450	6,716,074	3.4 %

Table 4: Summary of Consolidated Financial Results

## Consolidated

Unit : Million Baht	2015	2014	+/-
<b>Income</b>			
Revenue from sale of goods	22,826	23,941	-5%
Reversal of bad and doubtful debts expense	-	0.98	-100%
Reversal of loss on devaluation of inventories	109	-	0%
Reversal of provision for loss on purchase orders			
for undelivered raw material	16	-	0%
Gain from debt restructuring	28	110	-75%
Other incomes	115	194	-41%
<b>Total income</b>	<b>23,093</b>	<b>24,245</b>	<b>-5%</b>
<b>Expenses</b>			
Cost of sale of goods	23,574	23,398	1%
Selling expenses	486	415	17%
Administrative expenses	1,257	1,507	-17%
Loss on devaluation of inventories	-	108	-100%
Loss on confirmed purchase orders			
for undelivered raw materials	-	42	-100%
Bad and doubtful debts expense - net	8	-	0%
Loss on exchange rate - net	1,096	98	1021%
Other expenses	305	349	-13%
Finance costs	690	474	45%
<b>Total expenses</b>	<b>27,416</b>	<b>26,391</b>	<b>4%</b>
Loss before income tax expense	(4,323)	(2,146)	101%
Income tax expense	23	20	12%
<b>Loss for the years</b>	<b>(4,345)</b>	<b>(2,166)</b>	<b>101%</b>
<b>Loss per share</b>			
Basic loss per share	(0.47)	(0.27)	74%

Table 5: Condensed Consolidated Statement of Financial Position

Unit : Million Baht	31 December 15	31 December 14	+/-
<b>Assets</b>			
Cash and cash equivalents	159	248	-36%
Trade accounts receivable	242	198.83	22%
Amounts receivable from related parties	-	-	0%
Inventories	1,688	3,331	-49%
Receivables from scrap sales	-	-	0%
Other current assets	254	649	-61%
<b>Total current assets</b>	<b>2,343</b>	<b>4,427</b>	<b>-47%</b>
<b>Non-current assets</b>			
Investments in subsidiaries	-	-	0%
Advance payment for purchases of property, plant and equipment	210.00	210.00	0%
Property, plant and equipment	30,446	32,183	-5%
Intangible assets	17	34	-49%
Cash guarantee for the utility usage	-	252.00	-100%
Other non-current assets	419	360	16%
<b>Total non-current assets</b>	<b>31,093</b>	<b>33,040</b>	<b>-6%</b>
<b>Total assets</b>	<b>33,436</b>	<b>37,467</b>	<b>-11%</b>
<b>Liabilities</b>			
Short-term loans from financial institution	365	436	-16%
Trade accounts payable	8,043	8,464	-5%
Amount due to related parties	-	-	0%
Current portion of liabilities under rehabilitation plan	486	516	-6%
Current portion of long-term loan from related party	106	88	20%
Current portion of bonds	562	514	9%
Short-term loan from related parties	30	30	0%
Short-term loan from other parties	120	77	55%
Loan from shareholder	4	36	-89%
Advances received from customers	204	333	-39%
Other payables and accrued expenses	3,177	2,945	8%

Accrued interest expenses	2,337	1,682	39%
Provisions	2,702	2,368	14%
Other current liabilities	349	339	3%
<b>Total current liabilities</b>	<b>18,485</b>	<b>17,826</b>	<b>4%</b>
<b><i>Non-current liabilities</i></b>			
Liabilities under rehabilitation plan - net of			
current portion	250	246	2%
Trade accounts payable	518	578	-10%
Long-term loan from related party	264	312	-15%
Long-term loan from other party	-	36	-100%
Other payables and accrued expenses	1,238	1,211	2%
Accrued interest expenses	19	313	-94%
Provision	648	657	-1%
Employee benefit obligations	96	74	30%
<b>Total non-current liabilities</b>	<b>3,034</b>	<b>3,426</b>	<b>-11%</b>
<b>Total liabilities</b>	<b>21,519</b>	<b>21,253</b>	
<b><i>Equity</i></b>			
Equity attributable to owners of the Company	3,192	6,463	-51%
Non-controlling interests	8,725	9,751	-11%
<b>Total equity</b>	<b>11,917</b>	<b>16,214</b>	<b>-27%</b>
<b>Total liabilities and equity</b>	<b>33,436</b>	<b>37,467</b>	<b>-11%</b>

Table 6 : Condensed Statement of Cash Flow

Unit : Million Baht	Jan - Dec 2015
<i>Cash flows from operating activities</i>	
Loss for the years	(4,345)
<i>Adjustments for</i>	
Depreciation and amortisation	1,912
Unrealised (gain) loss on exchange rate	463
(Reversal of) loss on devaluation of inventories	(109)
(Reversal of) loss on confirmed purchase orders for raw material	(16)
Gain from debt restructuring	(28)
(Reversal of) bad and doubtful debts expense	8
Loss on impairment of assets	-
Loss on written off assets	0
Loss on sale of investment	-
Provision for court case claim	250
(Reversal of) provision for tax - related liabilities	-
Provision for a gurantee of subsidiary	-
Finance costs	690
Interest income	(2)
Employee benefit obligations	22
Income tax expense	23
	(1,131)
<i>Changes in operating assets and liabilities</i>	
Trade accounts receivable	(43)
Amount due from related parties	107
Inventories	1,752
Other current assets	504
Cash guarantee for the utility usage	252
Other non-current assets	(223)
Trade accounts payable	(671)
Advances received from customers	(129)
Other payable and accrued expenses	(248)
Other current liabilities	15
Provision for court case claim paid	-

Income tax paid	(28)
<b>Net cash flows provided by (used in) operating activities</b>	<b>158</b>
<i>Cash flows from investing activities</i>	
Interest received	2
Purchase of property, plant and equipment	6
Cash payment to loans to related parties	-
Cash payment to long-term loans to related parties	-
Proceed from disposal of investment in subsidiary	48
<b>Net cash flows provided by (used in) investing activities</b>	<b>55</b>
<i>Cash flows from financing activities</i>	
Increase of ordinary shares	0.00
Proceeds from issue ordinary shares of subsidiary to non-controlling interests	0.00
Finance costs paid	(158)
Payment of liabilities under rehabilitation plan	(17)
Proceeds(Repayment)of short-term loans from financial institution	(71)
Proceeds(Repayment) of short-term loans from related parties	-
Proceeds(Repayment) of short-term loans from other parties	7
Proceeds(Repayment)from long-term loans from related parties	(30)
Proceeds(Repayment) from long-term loans from other parties	-
Repayment of finance lease liabilities	-
Repayment of loan from shareholder	(33)
<b>Net cash flows provided by (used in) financing activities</b>	<b>(301)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(88)</b>
Cash and cash equivalents at 1 January	248
Effect from exchange rate changes on balances held in foreign currencies	(0)
<b>Cash and cash equivalents at 31 December</b>	<b>159</b>