Sahaviriya Steel Industries Public Company Limited
Annual Report 2006

Future is Now

Contents

6 Vision, Mission and Values
8 Message from the Chairman of the Board of Directors
10 Report of the Audit Committee
12 Financial Highlights
14 Board of Directors
20 Executive Management
24 Significant Changes During the year
26 The Steel Industry and Prospects for the Steel Industry
28 Safety, Occupational Health, and the Environment
32 Responsibility to Society and the Community
36 Risk Management
40 Organization Chart
42 General Information
44 Nature of Business Operations
46 Shareholders and Management
60 Corporate Governance and Its Implementation
76 Supervising the Use of Inside Information
78 Internal Controls
82 Related Transactions
84 Management Discussion and Anslysis of the Company's Financial Status and Operational Results
88 Report of the Nomination Committee
90 Report of the Remuneration Committee
92 Report on the Responsibility of the Board of Directors Concerning the Financial Statements for 2006
94 Report of the Independent Certified Public Accountants
95 Consolidated and the Company Only Financial Statements



Future is Now

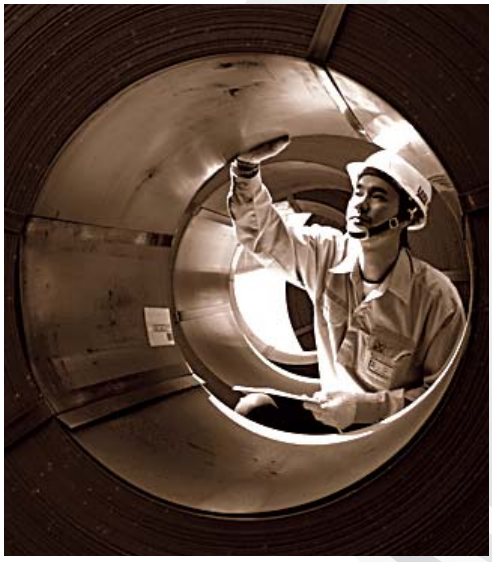
We believe the future comes from our actions today.
With strong leadership, foresight, knowledge, devotion and care,
we are building a stronger future for all.
The Market Leader of high-grade steel sheets in ASEAN,
creating sustainable value for stakeholders.



Vision

With a strong vision
we forge the pathway
to meet our challenges
with outstanding success.

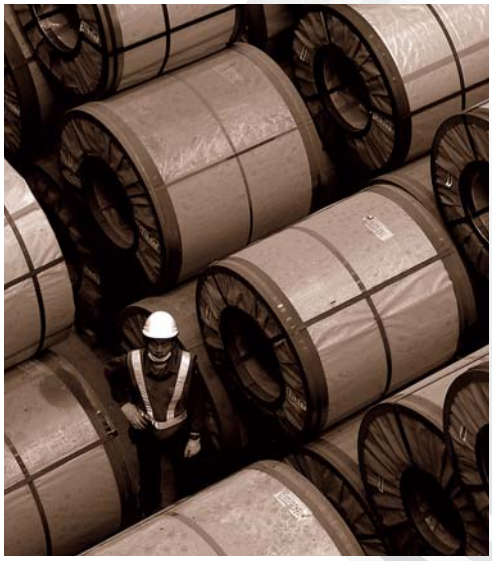




Smart

We constantly acquire new information
to support our ongoing goal
to effectively improve our business.





Devotion

With a strong track record and devotion,
we move forward, face problems,
and meet our goals.





Care

We care not only about
building a great business.
We also place great care in the society
and the environment, making SSI
a corporation of values and meaning.



Vision

Market Leader of High-Grade Steel Sheets in ASEAN, Creating Sustainable Value for Stakeholders

Mission

1. Secure raw material sources with quality relevant to customers' requirements.
2. Develop leading technology for high-grade steel sheet production,
   as well as continuously reduce costs.
3. Build added value and satisfaction for customers with an overall package of Product,
   Quality, Price, Volume, Delivery and Service better than our competitors
4. Increase market share of high-grade steel sheet and continuously enlarge quality customer base,
   both domestic and international.
5. Develop to be an organization of knowledge and innovation.
6. Enhance quality of life and preserve the environment of the local community,
   and be responsible to the society at large.

Values

SSI

S = Spirit of Teamwork & Continuous Learning

S = Satisfaction to all Stakeholders

I = Integrity & Ethics from all Staff

Message from the Chairman of the Board of Directors



The year 2006 marked another good year for the steel industry as the global steel market continued to expand steadily as a result of increasing worldwide demand. In fact, the International Iron and Steel Institute (IISI) adjusted its global steel demand forecast higher in light of the growth of infrastructure investment throughout various regions of the world. Steel demand continued to grow to support economic growth not only in China and India, but also in the European Union (EU), the Commonwealth of Independent States (CIS), as well as South America.

While on a global level, the steel industry outlook continued to improve, domestically, the instability of the Thai economy and political situation weighed heavily on the Thai steel industry's performance causing a negative impact on steel demand and thus a demand decline throughout 2006 in the domestic market. To lessen the negative impact, Sahaviriya Steel Industries Public Co., Ltd. (SSI) closely monitored the Thai market situation in order to be able to accurately adjust forecasts for trends in steel demand. With careful management, SSI was able to efficiently navigate a safe path through the obstacles by the domestic market situation and turbulent politics. Revenue from sales amounted 35,207.4 million Baht while profit gained 2,690.1 million Baht, a year-to-year increase of 275 percent, with an earnings per share of 0.21 Baht. This profit level enabled SSI to reduce a high amount of debt and remarkably, the net debt to equity ratio (D/E) improved from 2.0 times to 1.1 times in 2006. The company's successful performance can be credited towards unanimous cooperation and excellent collaboration between SSI's management team and employees.

Aiming to continue sales growth and increase sustainable profits, SSI has developed a new three-year business plan in order to prepare for a variety of possible market condition scenarios as well as implement risk management measures.

On the production side, throughout 2006 SSI focused on increasing both product quality as well as production output. Additionally, emphasizing improved service to fulfill clients' needs, SSI provided better products and upgraded production technology and also attained ISO/TS 16949 certification as a benchmark for administering world-standard quality control processes and strengthening the reliability of SSI products supplied to the automobile industry. SSI products also received CE Mark accreditation signifying a standard of production control in compliance with European Union standards.

On the marketing side, SSI adjusted its marketing strategies to better match the increasing needs and challenges of the global steel market and was rewarded with positive feedback from its clients. SSI expanded its export volume and market base to countries in the Middle East and as a result, was able to achieve its highest monthly shipment record of 220,000 tonnes exported in July 2006. Aside from this, SSI's high grade, hot-rolled coils have been tested and been accepted by the automobile and auto parts industries. As the leading steel manufacturer in Thailand, SSI has been entrusted by our trading allies to always ensure an adequate supply of raw material to meet the market needs and mitigate the costly risk of shortages of steel during production to our clients.

SSI firmly believes in demonstrating social and community responsibility by giving for and supporting the betterment of Thai society. SSI is fully committed in our policy of proactive engagement in the providing of sincere care for the Thai society and community. Subsequently, with heartfelt goodwill and generosity, SSI has initiated numerous projects for the benefit of their communities, including the aid and support of victims of disasters. SSI is ready to give back to the community and to become involved in projects that bring a better quality of life to people as the company strongly believes that a healthy society arises from the act of giving.

Signifying SSI's strong determination to conduct business in a way that gives rise to sustainable development, the company received several notable awards in 2006 including: the Prime Minister's Industry Award for Energy Management from the Ministry of Industry, the sixth consecutive National Award for Safety, Occupational Health, and Working Environment from the Ministry of Labour, and the SET Award 2006 for the Distinction in Maintaining Excellent Corporate Governance Report from the Stock Exchange of Thailand.

Finally, on behalf of the Board of Directors, I would like to thank shareholders, clients, partners, government offices, financial institutions, the media, the community and SSI employees for their strong and continued support of SSI's operations. SSI will continue to strive to develop its every facet and function of its corporate capabilities to the utmost and we are determined to continue to work to ensure a bright future and to continue to be a strong leader in the Thai steel industry.



Dr. Maruey Phadoongsidhi

Chairman of the Board of Directors

Report of the Audit Committee



To the Board of Directors of Sahaviriya Steel Industries Public Co., Ltd.

The Board of Directors' Meeting No. 2/2005 on May 26, 2005 reappointed the same Audit Committee ("the Committee"), whose term was to expire on June 29, 2005 for another term, from June 30, 2005 to June 29, 2008. The Committee comprises of three independent directors together with the Chief of the Internal Audit Office acting as its Secretary:

1. Professor Kesree Narongdej	Audit Committee Chairperson
2. Mr. Visith Noiphan	Audit Committee Member
3. Mr. Prateep Buphaintr	Audit Committee Member
4. Mrs. Wannee Sirikanchana	Secretary to the Audit Committee

The duties and responsibilities of the Committee to the Board of Directors ('the Board'), under the Charter of the Audit Committee (No. 2), were announced on November 24, 2004. In 2006, the Committee met eight times to perform the following duties:

1. Ensure accurate and adequate financial reports.

- Finalizing the interim and annual financial statements of 2006 together with the external auditors of the Company and its subsidiaries, and the management, by questioning and discussing as well as advising on the issues and related matters to the Company's financial statements, then submitting them to the Board for approval, before disclosing them to the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC).

2. Ensure suitable and efficient internal control and internal audit systems.

- Approving the audit plan and acknowledging the audit reports of the Internal Audit Office.
- Assessing the adequacy of the internal control system against the evaluation form issued by the SEC for 2006, as well as the Company's self-evaluation according to the external auditor's assessment form.

3. Ensure compliance with laws pertaining to securities and the stock exchange, regulations of the SET, and laws concerning Company business.

- Acknowledging reports on corporate compliance with laws pertaining to securities and the stock exchange as well as other laws concerning the Company's business, and monitoring progress in litigation involving the Company.

4. Review the risk management system.

- Acknowledging the assessment of the Company's risks and measures to manage those risk exposures, focusing on high risk exposures, on a quarterly basis.

5. Consider, select, and nominate the Company's auditors and recommend fees.

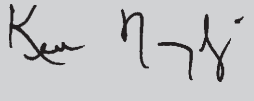
- Considering, selecting, and proposing to the Board for consideration and seeking approval at the Eighteenth General Meeting of Shareholders the appointment of Miss Thipawan Nananuwat, and/or Mr. Sophon Permsirivallop, and/or Mr. Narong Puntawong, and/or Miss Siraporn Ouaanunkun of Ernst & Young Office Limited, as the Company's auditors for fiscal year 2007, together with their fees.

6. Ensure a full and accurate disclosure of information on transactions with related parties and any potential conflicts of interest.

- Acknowledging quarterly reports on the Company's sales and pricing made to the connected companies.

7. Other

- Monitoring progress in compliance with the resolutions passed by the Committee.
- Carrying out a self-assessment for 2006 and submitting the results to the Board.
- Reviewing the information disclosed to the SET and the SEC, as disclosed in the Company's annual report (Form 56-2) and in the annual information disclosure form, ended on December 31, 2006 (Form 56-1).
- Reporting the Audit Committee's performance to the Board periodically.



Professor Kesree Narongdej

Audit Committee Chairperson

February 28, 2007

Financial Highlights

(Unit: Million Baht)

Financial Information from Consolidated Financial Statements :	2006	2005	2004
Total Assets	44,622	51,316	36,526
Total Liabilities	24,595	33,706	16,439
Total Shareholders' Equity	20,027	17,610	20,087
Revenues from Sales	35,207	36,012	36,631
Revenues from Services	214	276	244
Total Revenues	35,909	36,427	37,093
Gross Profit from Sales	2,856	3,084	6,444
Gross Profit from Services	(109)	1	(27)
Net Income (Loss)	2,690	(1,536)	5,333

Financial Ratio :	2006	2005	2004
Net Profit Margin (%)	7.49	(4.22)	14.38
Return on Equity (%)	14.91	(8.49)	30.38
Return on Assets (%)	5.61	(3.50)	16.20
Debt to Equity Ratio (Times)	1.28	2.00	0.85
Earning (Loss) per Share (Baht)	0.21	(0.12)	0.41
Book Value per Share (Baht)	1.47	1.28	1.48

KEY DATA OF "SSI" STOCK		2006	2005	2004
Closing price (End December)	Baht	1.05	1.11	2.88
High	Baht	1.46	3.24	3.98
Low	Baht	0.85	1.07	1.85
Average price	Baht	1.20	1.98	2.80
Number of Shares	Mil. Shares	13,101.28	13,101.28	13,101.28
Par Value	Baht	1.00	1.00	1.00
Average Daily Turnover (Volume)	Mil. Shares	283.84	33.20	70.40
Average Daily Turnover (Value)	Mil. Baht	340.11	65.80	162.90
Market Capitalization (End December)	Mil. Baht	13,756.34	14,542.42	37,731.69
Foreign Limit	%	49.00	49.00	49.00
Foreign Owenership (End December)	%	21.12	21.73	19.61
Free Float[1]	%	41.01	45.44	43.61
P/E ratio (End December)	time	5.00	n/a	7.02
Dividend per share	Baht	-	-	0.15
Dividend yield	%	-	-	36.84

[1] As of the date on which the Company's share register was closed for the purpose of annual general meeting of shareholders

Board of Directors



Mr. Maruey Phadoongsidhi

Chairman of the Board of
Directors and Executive Director

76 years

Education

- Ph.D. (Bus.), University of Wisconsin, U.S.A.
- The Role of the Chairman Program (RCP 4/2001)
  Thai Institute of Directors Association

Work Experience

2000 - Present
- Chairman of the Board of Directors, Prachuap Port Company Limited
- Chairman of the Board of Executive Directors, West Coast Engineering Company Limited

2000 - 2003
- Chairman of the Board of Directors, Thai Cold Rolled Steel Sheet Public Company Limited

1997
- Chairman of the Board of Executive Directors, First Bangkok City Bank Public Company Limited
- Deputy Minister of Finance

1992 - 1997
- Commission Member, The Securities and Exchange Commission of Thailand
- Commission Member of the Council National Science and Technology Development Agency, Ministry of Science, Technology and Energy
- Director, First Bangkok City Bank Public Company Limited



Mr. Wit Viriyaprapaikit

Director and Chairman of the Board of
Executive Directors

71 years

Education

- Honorary B.A., Rajamungala Institute of Technology

Work Experience

1994 - Present
- Chairman of the Board of Directors, Bangsaphan Barmill Public Company Limited

1990 - Present
- Director, Thai Coated Steel Sheet Company Limited
- Director, Prachuap Port Company Limited

1989 - Present
- Director, Sahaviriya Plate Mill Company Limited

1990 - 2003
- Chairman of the Board of Executive Directors, Thai Cold Rolled Steel Sheet Public Company Limited

1982 - 2000
- Director, SVOA Public Company Limited

1982 - 1998
- Director, Bank of Ayudhya Public Company Limited



Mrs. Prapa Viriyaprapaikit

Director

76 years

Education

- Honorary Ph.D. (Economics), Medford University, U.S.A.
- Honorary Ph.D. (Agricultural Science), Chiang Mai University

Work Experience

1994 - Present
- Director, Bangsaphan Barmill Public Company Limited

1990 - Present
- Director, Prachuap Port Company Limited
- Director, Sahaviriya Panich Company Limited

1989 - Present
- Director, Sahaviriya Plate Mill Company Limited

1990 - 2001
- Director, Thai Coated Steel Sheet Company Limited

1990 - 1998
- Director, Thai Cold Rolled Steel Sheet Public Company Limited



Mr. Somchai Pipitvijitkorn

Director, Executive Director and Remuneration Committee Member

67 years

Education
- M.B.A., Michigan State University, U.S.A.

Work Experience

2004 - Present
- Deputy Chairman of the Board of Directors, Bangsaphan Barmill Public Company Limited

2003 - Present
- Director, Sahaviriya Plate Mill Company Limited

1990 - 1999
- Director, Sahaviriya Steel Industries Public Company Limited
- Director, Thai Cold Rolled Steel Sheet Public Company Limited

1986 - 1998
- Director, Siam City Cement Public Company Limited

1984 - 1999
- Director, Bank of Ayudhya Public Company Limited

1983 - 1999
- Director, Ayudhya Life Assurance Public Company Limited



Mr. Taweesak Senanarong

Director and Remuneration Committee Member

70 years

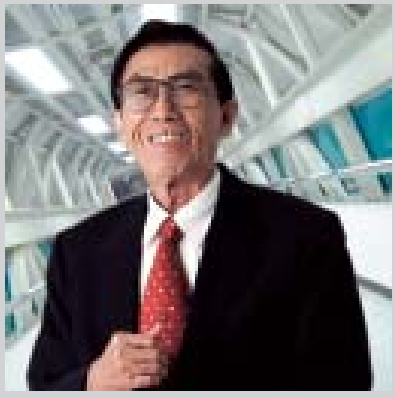
Education
- Diploma of Fine Art Royal Academy, Rome, Italy
- Bachelor of Fine Arts, Silpakorn University
- Honorary Ph.D., Silpakorn University
- The National Defence Regular Course
- Director Accreditation Program (DAP 26/2004) Thai Institute of Directors Association

Work Experience

2004 - Present
- Director, Bangsaphan Barmill Public Company Limited

2001 - Present
- Director, Sahaviriya Plate Mill Company Limited

1999 - Present
- Director, West Coast Engineering Company Limited
- Director, Prachuap Port Company Limited



Mr. Visith Noiphan

Independent Director,
Audit Committee Member and
Chairman of Nomination Committee

72 years

Education

- B.Eng. (Civil Engineering), Chulalongkorn University
- M.Eng. (Sanitary Engineering), Chulalongkorn University
- The National Defence Regular Course
- Director Accreditation Program (DAP 5/2003) Thai Institute of Directors Association

Work Experience

2004 - Present
- Director, Bangsaphan Barmill Public Company Limited

2001 - Present
- Chairman of the Board of Directors, Sahaviriya Plate Mill Company Limited

1999 - Present
- Chairman of the Board of Directors, West Coast Engineering Company Limited

1993 - Present
- Chairman of the Board of Directors and Independent Director, TPI Polene Public Company Limited

1992 - 1993
- Advisor to the Office of Prime Minister
- Acting of Permanent Secretary, Ministry of Industry
- Deputy Permanent Secretary, Ministry of Industry

1988 - 1992
- Director General Department of Mineral Resources

1986 - 1988
- Secretary General Thai Industrial Standards

1984 - 1986
- Director General Department of Industrial Promotion

1982 - 1984
- Director General Department of Industrial Works



Prefessor Kesree Narongdej

Independent Director and
Audit Committee Chairperson

69 years

Education

- Master's Degree in Professional Accounting, The University of Texas at Austin
- Professor and Professor Emeritus of Accounting Faculty of Commerce and Accountancy, Thammasat University
- Honorary Ph.D. (Accounting), Thammasat University
- Directors Certification Program (DCP 2/2000) Thai Institute of Directors Association

Work Experience

Present
- President of the Federation of Accounting Professions under the Royal Patronage of His Majesty the King
- Public Sector Audit and Evaluation Committee
- National Corporate Governance Committee
- Committee of the Faculty of Commerce and Accountancy at Thammasat University
- Certified Public Accountant - Managing Partner, A.M.T. & Associates

Past
- President of the Institute of Certified Accountants and Auditors of Thailand
- Board Member of International Federation of Accountant (IFAC)
- Chairman of the Audit Committee, Bank of Thailand
- Chairman of the Audit Committee, Malee Sampran Public Company Limited
- Audit Committee in Public Sector, Ministry of Foreign Affairs
- Dean - Faculty of Commerce and Accountancy, Thammasat University
- President, Thammasat University Commerce and Accountancy Alumni
- Chairperson of Accounting Standard Committee, The Institute of Certified Accountants and Auditors of Thailand



Mr. Tongchat Hongladarom

Independent Director

67 years

Education

- Ph.D.Eng.(Civil), Northwestern University, U.S.A.
- The National Defence Regular Course

Work Experience

2003 - Present

- Chairman, Board of Directors, TMB Asset Management Co., Ltd.
- President of the University Council King Mongkut's University of Technology Thonburi

1999 - Present

- Director, West Coast Engineering Company Limited

2001 - 2003

- President, Thai Petrochemical Industry Public Company Limited

1996 - 2001

- President, Thai Telephone & Telecommunication Public Company Limited



Mr. Tawee Butsuntorn

Independent Director and Chairman of Remuneration Committee

66 years

Education

- Bachelor's Degree in Mechanical Engineering (1st Class Hons.), Chulalongkorn University
- Honorary Ph.D. (Engineering), Chulalongkorn University
- Honorary Ph.D. (Engineering), Burapha University
- Honorary Ph.D. (Engineering), King's Mongkut Institute of Technology Ladkrabang
- AMP - The Advanced Management Program Harvard University, Graduate School of Business Administration, U.S.A.
- The National Defence Regular Course
- Directors Certification Program (DCP 22/2002) Thai Institute of Directors Association

Work Experience

2005 - Present

- Chairman of the Board of Directors, NFC Fertilizer Public Company Limited

2004 - Present

- Chairman of the Board of Directors, Bankthai Public Company Limited
- Chairman of the Board of Directors, Cathay Leaseplan Public Company Limited
- Chairman of the Board of Directors, DAI - ICHI Public Company Limited
- Foreign Business Committee, Ministry of Commerce
- Chairman of the Committee for tax privilege in Energy Conservation, Ministry of Energy

2000 - Present

- Honorary Consul of the Republic of Uganda to the Kingdom of Thailand
- Chairman of Engineers' Ethics Committee, Engineers' Council

1998 - Present

- Distinguished Councilor of Chulalongkorn University Council



Mr. Prateep Buphaintr

Independent Director, Audit Committee Member and Nomination Committee Member

67 years

Education

- Bachelor's Degree in Commerce, Thammasat University
- Directors Certification Program (DCP 22/2002) Thai Institute of Directors Association

Work Experience

1997 - 1999

- Secretary of The Comptroller General's Department, Ministry of Finance

1995 - 1997

- Director of Disbursement Approval Branch 4 The Comptroller General's Department, Ministry of Finance



Mr. Kamol Juntima

Director and Nomination Committee Member

68 years

Education

- M.P.A., National Institute of Development Administration (NIDA)
- The National Defence Regular Course
- The Role of The Chairman Program (RCP 4/2001) Thai Institute of Directors Association
- Directors Certification Program (DCP 3/2000) Thai Institute of Directors Association

Work Experience

Present
- Certified Public Accountant

2003 - Present
- Director and Audit Committee Member, Electronic Industry Public Company Limited

2002 - Present
- Chairman of the Board of Directors, IT CITY Public Company Limited

1999 - Present
- Director and Executive Director, West Coast Engineering Company Limited

2000 - 2002
- Chairman of the Board, Financial Sector Restructuring Authority (FRA)

1998
- Comptroller General, Ministry of Finance

1993 - 1998
- Deputy Permanent Secretary for Finance, Ministry of Finance

1998 - 2000
- Audit Committee Chairman, Provincial Electricity Authority

1995 - 1999
- Director and Chairman of Executive Board, Government Housing Bank

1996 - 1998
- Chairman of the Board Government Lottery Office



Mr. Piya Viriyaprapaikit

Director and Executive Director

57 years

Education

- M.S. (Economics), Portland State University, Oregon, U.S.A.
- M.S. (Psychology), Portland State University, Oregon, U.S.A.

Work Experience

1997 - Present
- Director, Prachuap Port Company Limited

1994 - Present
- Director, Bangsaphan Barmill Public Company Limited

1989 - Present
- Director, Sahaviriya Plate Mill Company Limited

1996 - 2001
- Director, Thai Coated Steel Sheet Company Limited

1991 - 2000
- Director, SVOA Public Company Limited

1990 - 1998
- Director, Thai Cold Rolled Steel Sheet Public Company Limited



Mr. Win Viriyaprapaikit

Director, Executive Director and President

36 years

Education

- Bachelor Industrial Engineering, Keio University, Tokyo, Japan
- M.B.A., Sasin Graduate Institute of Business Administration, Chulalongkorn University

Work Experience

2002 - Present
- Director and Executive Director, West Coast Engineering Company Limited

1999 - Present
- Director, Sahaviriya Steel Group Company Limited

1997 - Present
- Chairman of the Board of Directors, Thai Steel Sales Company Limited

1996 - Present
- Director, Thai Coated Steel Sheet Company Limited

1994 - Present
- President, Sahaviriya Panich Company Limited



Mr. Permpoon Krairiksh

Director and Executive Director

55 years

Education

- B.A., Boston University, U.S.A.
- The Joint State-Private Sectors Regular Course
- Directors Accreditation Program (DAP 3/2003) Thai Institute of Directors Association

Work Experience

2006
- Executive Vice President, Division Head, Retail Credit and Business Support Division Siam Commercial Bank Public Company Limited

1999 - 2006
- Executive Vice President, Special Assets Group, Siam Commercial Bank Public Company Limited



Mr. Nuttawit Boonyawat

Director and Executive Director

44 years

Education

- Master of Science, Abilene Christian University, Texas, U.S.A.
- Director Accreditation Program (DAP 5/2003) Thai Institute of Directors Association

Work Experience

2004 - Present
- First Executive Vice President, Bank of Ayudhya Public Company Limited

2001 - 2004
- Executive Vice President, Bank of Ayudhya Public Company Limited

Executive Management

Mr. Win Viriyaprapaikit
Director,
Executive Director and President



Mrs. Vilai Chattanrassamee
Vice President -
Finance & Accounting Division



Mr. Wichien Tungsuknirundorn
Vice President - Commercial Division 2





Mr. Boonnarg Mockmongkonkul
Senior Vice President -
Manufacturing Division



Ms. Dusadee Sirichaitavin
Vice President - Human Resources &
Administration Division and Secretary to
the Remuneration Committee



Mr. Prueng Piyachart
Vice President - Commercial Division 3

1. Mr. Win Viriyaprapaikit

Director, Executive Director and President

36 years

Education

- Bachelor Industrial Engineering, Keio University, Tokyo, Japan
- M.B.A., Sasin Graduate Institute of Business Administration, Chulalongkorn University

Work Experience

2002 - Present
- Director and Executive Director, West Coast Engineering Company Limited

1999 - Present
- Director, Sahaviriya Steel Group Company Limited

1997 - Present
- Chairman of the Board of Directors, Thai Steel Sales Company Limited

1996 - Present
- Director, Thai Coated Steel Sheet Company Limited

1994 - Present
- President, Sahaviriya Panich Company Limited

2. Mr. Boonnarg Mockmongkonkul

Senior Vice President - Manufacturing Division

42 years

Education

- B. Eng. (Production Engineering), King Mongkut's University of Technology Thonburi
- M.B.A., Ramkhamhaeng University
- Directors Certification Program (DCP 23/2002) Thai Institute of Directors Association

Work Experience

2002 - Present
- Director, Executive Director and Acting Managing Director, West Coast Engineering Company Limited

1991 - 1992
- Supervisor - Production Planning Department Thai Plastic and Chemical Public Company Limited

3. Mrs. Vilai Chattanrassamee

Vice President - Finance & Accounting Division

53 years

Education

- M.S. (Accounting), Thammasat University
- Directors Certification Program (DCP 13/2001) Thai Institute of Directors Association

Work Experience

1998 - 1999
- Chief Financial Officer, Grammy Entertainment Public Company Limited

1996 - 1998
- Executive Vice President, Siam Integrated Cold Rolled Steel Public Company Limited

4. Ms. Dusadee Sirichaitavin

Vice President - Human Resources & Administration Division and Secretary to the Remuneration Committee

56 years

Education

- M.B.A., American University of Hawaii, U.S.A.
- Directors Certification Program (DCP 18/2002) Thai Institute of Directors Association

Work Experience

1991 - 1993
- Vice President - Human Resource Division, Bank of Asia Public Company Limited

5. Mr. Wichien Tungsuknirundorn

Vice President - Commercial Division 2

48 years

Education

- B. Eng. (Industrial Engineering), Chulalongkorn University
- M.B.A., Thammasat University
- Directors Certification Program (DCP 22/2002) Thai Institute of Directors Association

Work Experience

1995 - 1996
- Sales and Marketing Manager, Amcor Containers Packaging (Thailand) Company Limited

6. Mr. Prueng Piyachart

Vice President - Commercial Division 3

50 years

Education

- B. Eng. (Mechanical), Kasetsart University
- Directors Certification Program (DCP 19/2002) Thai Institute of Directors Association

Work Experience

1995 - 2000
- Assistant Vice President - International Business Division Sahaviriya Steel Industries Public Company Limited

7. Mr. Chartchai Pomloy

Assistant Vice President - Commercial Division 1

40 years

Education

- B. Eng. (Mechanical), Khonkaen University
- M.B.A., Ramkhamhaeng University

Work Experience

1989 - 1992

- Gas Separation Plant, Petroleum Authority of Thailand

8. Mr. Wera Kosacarn

Assistant Vice President - Commercial Division 2

43 years

Education

- B. Eng. (Mechanical Engineering), Chulalongkorn University
- M.B.A., Thammasat University

Work Experience

1996 - 1999

- Sales Manager, Lock Focus Company Limited

9. Ms. Wanna Tungcharoenching

Assistant Vice President - Commercial Division 3 (Slab Procurement)

48 years

Education

- B.B.A. (Marketing), Ramkhamhaeng University

Work Experience

1995 - 2005

- Slab Procurement Department Manager Sahaviriya Steel Industries Public Company Limited

10. Mr. Thinnakorn Phadungwong

Assistant Vice President - Manufacturing Division (Operations)

38 years

Education

- B. Eng. (Industrial Engineering), Kasetsart University
- Master's Degree of Metallurgical Engineering, Chulalongkorn University

Work Experience

2000 - 2004

- Metallurgy & Quality Assurance Manager, Sahaviriya Steel Industries Public Company Limited

11. Mr. Kittisak Mapanao

Assistant Vice President - Manufacturing Division (Technology & Engineering)

40 years

Education

- B. Eng. (Industrial Engineering), Khonkaen University
- M.B.A., Chulalongkorn University

Work Experience

1991 - 1992

- Industrial Engineer, Hana Coil Company Limited

12. Mr. Soonthorn Wasansaerekul

Assistant Vice President - Manufacturing Division (Operation Technology and Quality Assurance)

41 years

Education

- B. Eng. (Industrial), Khonkaen University

Work Experience

1989 - 1992

- Production Engineer, Siam Fiber Cement Company Limited

13. Mr. Somkiat Panichkul

Assistant Vice President - Manufacturing Division (Maintenance)

43 years

Education

- B. Eng. (Mechanical Engineering), King Mongkut's University of Technology Thonburi
- M.B.A., Rangsit University

Work Experience

2000 - 2002

- Engineering and Maintenance Department Manager, National Fertilizer Public Company Limited

1995 - 1999

- OFF Site and Utility Division Manager, National Fertilizer Public Company Limited

14. Mr. Thavorn Cananub

Assistant Vice President - Manufacturing Division (Planning & Logistic Operations)

43 years

Education

- B. Eng. (Production Engineering), King Mongkut's University of Technology Thonburi

Work Experience

1996 - 2005

- Production Planning and Control Department Manager, Sahaviriya Steel Industries Public Company Limited

15. Mr. Narongrit Chotnuchittrakul

Assistant Vice President - Finance & Accounting Division (Accounting)

36 years

Education

- M.B.A., Dhurakijpundit University

Work Experience

1997 - 2002

- Management Accounting Department Manager, Sahaviriya Steel Industries Public Company Limited

16. Mr. Vuthi Asvasermcharoen

Assistant Vice President - Finance & Accounting Division (Finance)

38 years

Education

- M.B.A., Indiana University of Pennsylvania, U.S.A.

Work Experience

2001 - 2004

- Vice President, Heavy Industries Lending, Corporate Banking, Bangkok Bank Public Company Limited

1997 - 2001

- Vice President, Business Development Division, Electricity Generating Public Company Limited

17. Mr. Srijaroung Bandhaya

Assistance Vice President - Human Resources & Administration Division

47 years

Education

- M.P.A., National Institute of Development Administration (NIDA)
- M.B.A., Dhurakijpundit University

Work Experience

1993 - 1994

- General Administration Manager, Sahaviriya Plate Mill Company Limited

18. Mr. Visidha Anuttra

Assistant Vice President - Corporate Policy & Coordination Office

51 years

Education

- M.B.A., Northeast Louisiana University, U.S.A.

Work Experience

1997 - 2003

- Financial Director: Accounting & Financial Department, LPN Plate Mill Public Company Limited

19. Mrs. Ninlawan Sivapuchpong

Assistant Vice President - Corporate Affair Office

50 years

Education

- M.B.A., Thammasat University

Work Experience

1981 - 2004

- Public Affairs Manager, Siam City Cement Public Company Limited

20. Mr. Ongkarn Srivichit

Assistant Vice President - Corporate Planning Office

43 years

Education

- M.S. (Engineering), University of Missouri - Columbia, U.S.A.

Work Experience

1996 - 2006

- Senior Vice President, Electricity Generating Public Company Limited

21. Mrs. Wannee Sirikanchana

Chief, Internal Audit Office and Secretary to the Audit Committee

51 years

Education

- M.S. (Accounting), Thammasat University
- Directors Certification Program (DCP 13/2001) Thai Institute of Directors Association
- Audit Committee Program (ACP 5/2005) Thai Institute of Directors Association

Work Experience

1988 - 1998

- Vice President - Internal Audit Department, The Stock Exchange of Thailand

22. Mr. Surasak Ngamsidhiphongsa

Assistant Vice President - Corporate Secretariat Office, Company Secretary, Secretary to the Board of Executive Directors and Secretary to the Nomination Committee

47 years

Education

- M.A. (Economic Law), Chulalongkorn University
- M.P.P.M., National Institute of Development Administration (NIDA)
- Barrister-at-law, Institute of Legal Education Thai Bar Association
- Directors Certification Program (DCP 15/2002) Thai Institute of Directors Association
- Company Secretary Program (CSP 5/2004) Thai Institute of Directors Association

Work Experience

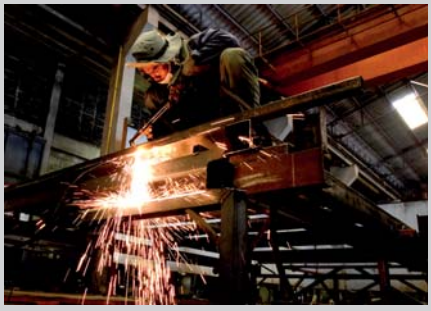
1988 - 1993

- Deputy Secretary to the Board of Directors, Siam Realty and Services Company Limited

1985 - 1993

- Senior Analyst, Bank of Ayudhya Public Company Limited

Significant Changes During the Year



The domestic steel market was sluggish throughout 2006. SSI sold 1.7 million tonnes of hot-rolled coils and hot roll coils pickled and oiled, and was able to increase the volume of its steel exports to respond to greater demand in international markets. Seventy-seven percent of output went to supplying the domestic market, while the remaining 23% was exported. Export products were comprised mostly of high-grade hot-rolled steel sheets shipped to the United States, Canada, Australia, and European countries. The company also expanded its overseas markets to countries in the Middle East. For the fiscal year 2006, revenue from sales amounted to 35,205 million Baht, and total revenue overall was 35,802 million Baht, a slight decline from last year.

With the implementation of efficient internal controls, SSI was one of the ten listed companies selected by the Stock Exchange of Thailand to receive the SET Awards 2005 for the Best Corporate Governance Report. In 2006, SSI, proud of its standards in corporate governance, was awarded the SET Award 2006 for the Distinction in Maintaining Excellent Corporate Governance Report for the second consecutive year. In the Evaluation of Corporate Governance Practice of the Listed Company Project (CG Report) and the Quality Evaluation of the Annual General Meetings Project (AGM), organized by the Securities and Exchange Commission, the Company received a grade average of 85 % (Very Good) and 90.68% (Good) respectively.

Production

During the past year, SSI's high level of production capacity was tested and proven. The Company was evaluated and awarded certificates by many organizations. In April, the Thai Industrial Standards Institute acknowledged that SSI satisfied the Thai Industrial Standard (TIS) and was the 120th applicant for technology research on April 11. In July 2006, SSI passed the assessment and received the CE Mark certifying that SSI products meet European standards. In October, SSI passed the JIS 3131 inspection and became the first hot-rolled steel manufacturer in ASEAN with the JIS Mark certification. In December, SSI received the ISO/TS 16949 certification for products for automobile industry manufacturing and also received the 2006 Prime Minister's Industry Award for Energy Management organized by the Ministry of Industry.

In addition, to improve product quality the Company invested in an indoor coil-warehouse of 15,300 square meters equipped with overhead cranes. This facility would reduce the Company's expenses arising from product damage which may occur during transportation, and enable the production process at the Hot Finishing Line (HFL) to be operated without using water to clean the surface of products, thus keeping the products' surface clean and free of rust for a longer period.

Finance

In 2006, SSI expanded its annual production capacity to four million tonnes and subsequently increased the level of its raw materials and finished products inventories, which resulted in a trade financing credit line of 27,550 million Baht at the end of 2006. In addition, to obtain working capital while maintaining low financing costs, the Company's Board of Directors considered and approved the issuance of a Bill of Exchange of no more than 5,000 million Baht with maturity of up to 270 days.



Anti-Dumping (AD)

Based on anti-dumping measures for the hot-rolled steel coils and sheets produced in fourteen countries, initiated by governments for five years starting in May 2003, the Anti-Dumping Committee has ordered an AD duty rate change for hot-rolled steel coils and sheets originating from Japan produced by Nippon Steel Corporation from 36.25% CIF to 0% CIF starting in September 2006. In May 2006, the United States' Department of Commerce announced its revised annual AD duty rate for SSI's hot-rolled steel sheets to 0%. It also announced the revocation of anti-dumping measures against SSI since the Company had a 0% AD duty rate for three consecutive years.

West Coast Engineering Co., Ltd. (WCE) is a subsidiary of SSI, which holds 99.99% of its shares. WCE is engaged in providing complete services for engineering, project work, repairing and maintaining the plant, and producing and maintaining machinery and spare parts. In 2006, WCE adjusted its marketing, products, and services management to focus on expanding its market with greater efficiency and lower costs. The company initiated several new projects, such as building a motor service center, the research and development of new products and new machinery with Kasetsart University's Research and Development in Industrial Production Technology, R&D with the Thai-German Institute and King Mongkut's University of Technology Thonburi Center of Excellence in Metal Casting Technology; building a new 3,700 square foot workshop area, and installing ten new machines to support its future expansion. WCE also worked with international companies to expand its knowledge base and enhance its competitive edge. In 2006, WCE had total revenues of 459.53 million Baht with an increase of 26% from the previous year, and had a net gain of 33.20 million Baht. In addition, WCE made an interim dividend payment of 7 Baht per share.

Prachuap Port Co., Ltd. (PPC) is a subsidiary of SSI, which holds 51% of its shares. PPC is a privately-owned commercial seaport capable of handling all types of imported and exported cargo, and also providing storage facilities. PPC's main berth of 450 meters long, 25 meters wide and 15 meters deep, had loading capacity of 4.91 million tonnes per year. Later, PPC received an investment promotional certificate for the Port Expansion Project. In 2004, PPC started expanding its main berth on the west side to 892 meters long, 25 meters wide, and 8-14 meters deep. This expanded berth is capable to dock up two vessels of 80,000 DWT each or three vessels of 20,000 DWT each at the same time. In the back of the expanded berth is another berth that is 250 meters long, 20 meters wide, and 8 meters deep, capable to dock up to 4 vessels at the same time. After the port expansion project was completed in November 2006, PPC was granted a seaport safety certificate under the ISPS Code, in which the port is capable to accommodate approximately 10 million tonnes of cargo per year. Apart from this, in May 2006, the Company also received the ISO 9001:2000 Quality Management System Standard Certificate and the ISO 14001:2004 Environmental Management System Standard Certificate. In 2006, PPC had total revenue of 300.89 million Baht and a net profit of 146.48 million Baht.



The World Steel Industry

Throughout 2006, the global steel industry grew steadily. However steel prices were unstable compared with 2005. The People's Republic of China significantly increased its steel production and became a net exporter instead of a major net importer of steel. The International Iron and Steel Institute (IISI) reported that in 2006 China was still the world's largest producer of steel with the steel production volume of 418 million tonnes, or 31% of total world steel production at 1,210 million tonnes, while it consumed only 374 million tonnes of steel. As a result, China became the world's largest exporter of steel. Because the price of the steel exported from China was comparatively lower than that from other countries, global steel prices became unstable. The Chinese government, however, has since announced a rate cut of tax rebate on exported steel, which should have the effect of reducing China's steel exports and help to stabilise steel prices.

The Thai Steel Industry

While the global steel market continued to expand in 2006, the unstable Thai economy, politics, and natural disasters had a negative impact on the domestic steel industry and slowed production. The Thai Manufacturing Production Index (MPI) of the iron and steel products for the first 10 months of 2006 indicated that production had fluctuated and declined from an annual index of 150.1 points in 2005 to 138.7 points in October 2006.

In the commercial-grade segment, the steel demand in 2006 declined as a result of the slow-down of construction and real estate industries, the important end-users of commercial-grade steels, again due to unstable economics as well as cutbacks in government investments.

In the high-grade segment, although overall the Thai economy has been slowing down in 2006, the Thai automobile industry has continued to grow, albeit at a slower rate than last year. Even with the growth of the automobile and auto parts industry as compared with 2005, the production was not able to achieve the anticipated growth primarily due to the decrease in domestic demand and consequently, production for export had to be increased. The decline in local demand also affected the raw materials procurement, which were planned based on forecasted demand and as a result, auto parts producers along with the steel service centers had to absorb the cost of stockpiling raw materials for domestic production. In addition, the electrical appliances industry in Thailand continued to be affected by cheaper products from China. Although the industries that consume high-grade steel sheet grew at a slower rate than last year, they were still considered as high potential market. The competition among high-grade steel manufacturers became tightened as the Japanese producers and importers started signaling a price adjustment to regain market share from Korean producers.



Thai hot-rolled steel sheet manufacturers were affected by the end-user industries, which suffered from uncertainty in the economy. As a result, orders for hot-rolled steel sheet were only placed as required for production. In addition, strong competition between Thai manufacturers and importers provided more purchasing alternatives for end-users. The cold-rolled steel sheet industry was also highly competitive. This competition made it difficult to adjust the price for hot-rolled steel sheet, since the prices for high-grade hot-rolled steel sheet were nearly the same as that of cold-rolled steel sheet. Some users can switch from hot-rolled to cold-rolled, but if the difference in prices are appropriately maintained and persuasive enough, the users may switch back to hot-rolled steel sheet.

Prospects for the Steel Industry in 2007

The International Iron and Steel Institute (IISI) forecasts that the world steel consumption will rise to 1,179 million tonnes in 2007. Steel demand is expected to increase next year due to a potential supply shortage caused by reduction in some production capacity following the consolidation of global steel manufacturers, and China's implementation of its policy to reduce steel production. In addition, the steel demand in many countries is expected to rise. Countries in the European Union (EU) will likely increase their steel demand to support the growth of construction and engineering industries as seen in 2006. Countries in the Commonwealth of Independent States (CIS) will likely expand their pipeline industries and could cause a shortage in limited steel supplies.

In 2007, the Thai steel industry is expected to improve and the Thai economy is also expected to grow steadily. Real estate and construction should recover as a result of the government's spending in many infrastructure projects and rebuilding public utilities in areas affected by floods at the end of 2006. The demands for steel should continue to increase in the automobile and auto parts industries, electrical appliances industry, and others. In addition, the baht is likely to be stronger which should help to reduce the cost of imported raw materials. The current price of raw materials tends to increase as the price for iron ore increases in the global market.

Safety, Occupational Health, and the Environment



Future is care...

Since its beginning and looking forward, Sahaviriya Steel Industries Public Co., Ltd. (SSI) has realized that for the company to continue to grow successfully, it needs to not only make profit but also needs to pay close attention to factory safety, work safety, and the occupational health of its employees. SSI is strongly determined to prevent and control the environment impact of the Company's operations on the surrounding communities and to wisely utilize natural resources for a maximum benefit. In 2006, SSI continued to develop its performance regarding safety, occupational health and the environment in many areas.

The Environment and Natural Resources Utilization Management

SSI's work on environment and resources utilization management can be classified as follows:

1. Waste Water Treatment

SSI produces two types of waste water: production and non-production waste water. Both types of waste water are treated to meet relevant standards and regulations. Over the years, SSI successfully recycles waste water from production and maintains zero discharge of waste water.

2. Air Emission Management

SSI is fully aware of the air pollution produced by the heating fuel used in production. Measures are developed to control air emission and to treat the air mist from the hydrochloric acid treatment station by capturing the acid with water, for recycling, at the hot-rolled steel sheet factory. These measures reduce the air pollution released into the environment to below the allowed amount set by government regulations.

3. Solid Waste Management

SSI gives precedence to the recycling process and therefore applies the pollution reduction at source and the recycling principles to the Company's solid waste management. As a result, SSI was able to reuse its waste, or sold the waste as raw materials for other types of production, earning more than 600 million baht per year. The Company prides itself on its effective reduction of waste that would otherwise negatively impact the environment.

4. Energy Conservation and Reduction of Resources Use

From 1996 to the present, SSI has participated in a program of energy conservation organized by the Department of Alternative Energy Development and Efficiency. Due to the support of the management, the hard work of a committee, and attention to recommendations from employees, SSI successfully conserves energy and reduce the use of natural resources. To prove this, the Company received an Excellent Industry Award for Energy Management in 2006.





5. EIA Monitoring and Ambient Quality Monitoring

SSI continually and strictly follows its environment impact measure and environment quality monitoring measure presented in the environment impact analysis report. The result in the past year did not show any unacceptable values measured according to the legal standards set. With regards to the inspection result and operational measures, SSI has kept close contacts with the government agencies in charge, and is strongly confident that its environmental management was strictly controlled and inspected by the related government sectors.

6. Auditing and Inspecting Factories by External Auditors

In 2006, SSI's compliance with environment measures was assessed by the Office of Environmental Policy and Planning and Thai Environmental Technic Co., Ltd., its consultant. SSI received a rating of 'Good' (compliance with core measures stated in the Environment Impact Study Report was more than 80%). This ensures the Company's strong determination and genuine intention to minimize the environment impact.

7. Environmental Communication and Developing Environmental Activities in the Communities

SSI appointed a subcommittee to publicize environmental information about the Company's operations, particularly ones that concern environment, to the communities and general public. SSI also organized environmental-related activities in the community, such as a youth environmental awareness camp, with the schools and teachers in the area. The camp's objectives create environmental and natural resource awareness, and promote understanding regarding ways to conserve the environment and to protect natural resources in the area. The program was very successful and was supported nicely by the local communities.

Safety Management

SSI's executive officers and its employees believe that work-related accident, injury and sickness, with full cooperation from everyone, can be prevented. SSI appointed a Safety, Occupational Health and Workplace Environment Committee to work closely on this issue. SSI will also introduce a Behavior Base Safety policy in 2007, which will help to advance its safety management. In the past year, SSI also implemented the following:

1. Activities to review risks and hazard assessment, and setting control measures for each activity.
2. Improving safety and occupational health standards.
3. Improving safety communication by increasing communication channels such as the electronic SHE Information newsletter, the safety bulletin board, and etc.
4. Auditing and inspecting safety issues through the Safety Patrol project.
5. Improving emergency plans, inspecting relevant safety equipment, and conducting annual emergency drills.
6. Improving the fire extinguishing system in the factory, and inspecting and preparing to install fire safety equipment in the extended areas to meet the related fire safety standards and regulations.




7. Organizing activities, exhibitions, seminars, shows, and a quiz show on safety, occupational health and the environment (SHE Week), for employees and the general public, to promote awareness about the importance of safety, occupational health and the environment.

Occupational Health and Industrial Hygiene Management

SSI sincerely cares about its employee's health and hygiene. Based on the Company's occupational health assessment, there are risks for the employees, such as, exposure to chemical products, dust, production noise, heat, and a low-light workplace. To control and prevent the work-related impacts, SSI has implemented the following occupational health and industrial hygiene policies:

1. Creating and reviewing work procedures and analyzing workplace safety in every department.
2. Training employees to create safety awareness.
3. Preparing ample personal protective equipment appropriate for harmful conditions.
4. Evaluating the workplace environment.
5. Improving safety in work areas.
6. Offering annual check-ups for all employees.
7. Supporting recreational and sport activities for employees.

In 2006, SSI improved factory landscapes and increased green areas by putting more parks and rest areas for employees around the factory. This adds to a relaxing work atmosphere which results in good mental and physical health for employees.

Awards and Achievements in Safety, Occupational Health, and the Environment

Because of the determination to ensure the highest standards in safety, occupational health and the environment, together with the management's support, SSI continued to receive numerous notable awards from many institutions.

Awards / Certificates	Institutions
• The Provincial Award for Safety, Occupational Health, and Working Environment (1999-2006)	Department of Labour Protection and Welfare, Ministry of Labour and Social Welfare
• ISO 14001 Certification for Environmental Management Systme Standards	Lloyd's Register Quality Assurance
• The Fundamental Use of Clean Technology Certificate	Department of Industrial Works, Ministry of Industry
• The 2000 Commemorative Industry Award for Safety Management	Ministry of Industry
• The 2001 Prime Minister's Industry Award for Environmental Management	Ministry of Industry
• The National Award for Safety, Occupational Health and Working Environment (2000-2006)	Department of Labour Protection and Welfare, Ministry of Labour and Social Welfare
• The 2000 Award for the outstanding Energy Conservation Factory	Department of Energy Development and Promotion, Ministry of Science, Technology and Environment
• The Environment Impact Assessment 2001 (EIA Awards 2001)	Office of Environmental Policy and Planning, Ministry of Science, Technology and Environment
• TIS 18001 Certification for Occupational Health and Safety Management System Standards	Management System Certification Institute (Thailand)
• The 2003 Prime Minister's Best Industry Award	Ministry of Industry
• The 2003 Prime Minister's Industry Award for Safety Management	Ministry of Industry
• The Plaque from Her Royal Highness Crown Princess Maha Chakri Sirindhorn for National Outstanding Workplaces in the Fight against Drugs	Ministry of Labour and Social Welfare
• Honorable Certificate for Green Workplace Program in honor of Her Majesty Queen Sirikit's 72nd Birthday Celebration	Ministry of Labour and Social Welfare
• A Certificate for Workplace Having No Lost-Time Accidents (with 2, 341, 101.9 Working Hours from October 3, 2002 - May 30, 2004) under the Zero Work-Related Accident Campaign by the Department of Labour Protection & Welfare	Department of Labour Protection and Welfare, Ministry of Labour and Social Welfare
• A Certificate of Thai Labour Standards, Basic Level, whose Action is in accordance with Standards of Social Responsibility in Thai Business (TLS. 8001-2003)	Ministry of Labour and Social Welfare
• The 2005-2006 National Safety, Occupational Health and Working Environment Award	Department of Labour Protection and Welfare, Ministry of Labour and Social Welfare
• ISO 14001: 2004 Certification for Environmental Management System Standards	Lloyd's Register Quality Assurance
• The 2006 Prime Minister's Industry Award for Environmental Management	Ministry of Industry




ssi












In its operation, Sahaviriya Steel Industries Public Co., Ltd. (SSI) has continuously focused on improving it business and been committed to giving back to the society and the community. The Company is also committed to its mission to ensure a better quality of life, environmental conservation and social responsibility. The Company firmly believes in giving to the community through education, career and income development, religious support, improving the quality of life and society and restoring the environment. SSI organized programs for everyone in the community including under-privileged children and youth. During the past year, SSI had organized many programs that were beneficial to society and the community in variety of ways.

Responsibility to Society

Education

Education is an essential tool used to develop the nation's resources. Educational development for children and youth is an ongoing work. SSI, therefore, gives educational support that covers the entire system ranging from schools, teachers and students. Schools with adequate materials and equipment, and teachers qualified in their subjects, will produce quality students with much to offer society and the community in the future. For best achievement, SSI worked together with public sectors, namely the Office of Prachuap Khirikhan Educational Service and educational officers, to organize a variety of programs.

- Budget support to renovate computer and science labs, libraries, and meeting rooms for the Bang Saphan Wittaya and Bann Suanluang schools.
- Budget support to hire teachers for elementary students, English and music teachers in the Bang Saphan District schools including the Bang Saphan Wittaya and Bann Suanluang schools.
- Budget support for improved teaching materials and buildings at the Baan Thakham and Sot Suksa Thebharat schools.
- A professional development program for teachers and school administrators.
- A teacher training seminar to exchange teaching ideas and techniques in the Arts, Mathematics and Thai.
- Scholarships for elementary and secondary school students in the Bang Saphan community on an annual basis, and scholarships for continuing education at undergraduate and graduate levels.
- Youth knowledge camp projects including summer camp, art camp and environmental awareness camp.
- A painting contest open to all level students in the Bang Saphan School District.
- A university admission preparation program.
- A program to promote excellence among students in the Bang Saphan schools.



Career and Income Development

SSI believes that a happy, well-functioning society is built on communities with sufficient work and income available for all. In such an environment, communities are able to support each other and maintain a harmonious life style. In cooperation with the District Agricultural Office, the District Land Development Office and the Community Development Office of Prachuap Khirikhan, SSI supports agricultural development projects focusing on those that are environmental friendly and improve the capabilities of local production and increase local revenue. The programs that SSI initiated in the past year include:

- A program to promote the production of 1,000 tonnes of organic fertilizer to be used throughout the Bang Saphan district.
- A seminar program on agricultural technology for Bang Saphan's main crops.
- A program to provide knowledge of local produce development for a farmers' wives group.

Society and Culture Development

SSI is well aware that forming good relationships and helping our neighbors in the vicinity of the plant is necessary for building a happy and sustainable community. If our neighbors are content, SSI staff is also more likely to be content as well, because most of the Company's employees are members of the community. The heart of a happy society is the community that is close to its religious beliefs and culture values. SSI pays attention to activities related to religion and Thai culture to help sustain a good way of living in the community. The programs that SSI initiated include:

- A program to promote health care for the elderly.
- Activities during national Elderly Day, Mother's Day and Father's Day.
- A program to provide knowledge for local community leaders.
- Help in building local education offices.
- Organizing the religious activities for temples in the community in which the Company's executives and employees participated.
- Support for restoration of local monasteries and community office buildings.

Environment Preservation and Restoration

Realizing that responsibility to the environment and community resources is an essential part of our business SSI has incorporated environmentally friendly and local resource conservation systems into its production processes. The Company is strongly confident in its monitoring and control systems to prevent all types of environmental damage, and was the recipient of numerous awards and certifications for environmental management from supervisory offices. SSI was not concerned only with internal environment but also with external environment and community resources. Among the programs SSI has initiated in cooperation with all companies in the Sahaviriya Group and with the cooperation of public



and private agencies, teachers, students and communities, include the following:

- A program to develop Mae Rumphueng Park and to release crabs and shrimp on the King's Birthday.
- A program to maintain the Bang Saphan Beach on the Queen's Birthday.
- A program to develop the Mae Rumphueng mangrove forest in cooperation with educational institutions.
- A 'Nature as the Classroom' program in cooperation with educational institutions.
- An environmental youth camp.

Social Responsibility

SSI has focused on socially responsible activities especially those on the nationwide level. Social responsibility is our mission and policy. SSI is determined to support the sustainability of Thai society. The Company also focuses on programs that promote child development. Among the many activities supported are the following:

- New Agriculture technology Program of SSI in Collaboration with the Rajaprajanugroh Foundation Program. The objectives are to teach Rajaprajanugroh school students new technology used in modern agriculture such as hydroponics. By hands-on experience, students will likely be able to implement the techniques learned in real life and work situations. Also, the vegetables grown can be eaten by the students for lunch. The program can be developed further to generate revenue for schools and become a model for local residents. SSI was helped by the Rajaprajanugroh Foundation Under Royal Patronage to implement the first program at Rajaprajanugroh 27 School in Nong Khai Province.
- The "Silp Sarn Phan Pan Namjai" painting program is an art therapy program organized for economically and socially under-privileged children, to teach them drawing and how to use their imagination to create their own work.

SSI also helps the country in its times of need such as during natural disasters. For example, the Company built 50 rescue houses for tsunami's victims in Ban Namkem, Kukkak Sub-district, Takuapa District, Phang Nga Province. During the past year, SSI also initiated the following programs.

- A rescue program for victims of flood and mud slides. The Company, in cooperation with all companies in the Sahaviriya Group, provided consumer goods for disaster victims in the Uttaradit Province.
- A winter fighting program. The Company, in cooperation with all companies in the Sahaviriya Group, provided blankets and winter clothes for affected residents in Chiang Rai and the Mae Hong Son Provinces.
- Through the Special Combat Bureau, SSI gave consumer goods to flood victims in the central region of the country.

All of these programs are a part of what the Company does for society and the community. SSI, conscious of the society's needs, firmly believes that its attention to the community and country is its future success in business.

Risk Management

The Board of Directors is well aware of the importance of corporate governance in establishing and maintaining efficient and effective risk management and internal control systems. To ensure this, SSI made policies regarding these issues at the end of 2004. To make sure that the Company's risk management is efficient and systematic, the Company appointed a Risk Management Working Committee and a Working Sub-Committee. The risks owner in each division assesses and analyzes their specific risks. Then, they set up a risk management system and a monitoring plan to make sure the systematic risk management is effective. Each division also has to report their risk exposures and their responses to the Board of Directors and the Audit Committee on a quarterly basis.

The Company's major risk assessment and risk management for 2006 can be concluded as follows:

Risks Related to Raw Materials Procurement

Risks Related to Raw Materials Quantity

In 2006, though the steel market and prices turned volatile, SSI was able to procure sufficient raw materials to serve the Company's needs. Through business master agreements with many of the Company's major suppliers and also by signing long-term quantitative agreements with some suppliers, SSI can virtually guarantee an ample supply of raw materials and reduce the risks of a raw materials shortage. SSI was able to control and maintain sufficient stocks for production, and continuously study and find better raw materials from high grade steel suppliers including raw materials used to produce special hot-rolled coils for the automobile and auto parts industries.

Risks Related to Raw Material Prices

Because the raw materials' price depends on the market mechanism, SSI has to closely monitor the market situation through trusted organizations. The Company also reduces risks related to price by delaying and controlling the order quantity of raw materials used for production for a certain group of clients whose the remained stock of raw materials is sufficient for production. In addition, SSI exercises appropriate policy to respond to unstable prices by ordering raw materials in amounts according to orders from clients.

Risks Related to Marketing

2006 was a year in which the world steel industry continually grew along with the world economy both in demand and supply while the steel prices turned volatile due to the excess of production in China resulting cheaper materials. The price situation improved during the third quarter of the year when the Chinese government reduced the tax support to the Chinese steel exporters. While the world steel industry grew steadily, the Thai steel industry slowed due to external factors which directly reduced consumer confidence. The steel industry was directly affected when the automobile and real estate sales slowed down, since both industries use large amounts of steels. Other factors, which affected the steel market, include the reduction of government spending due to the instability of Thai politics as well as new Thai economic policies that emphasize sufficiency of the domestic spending.

SSI reduced the risks caused by the slow down in the automobile industry and the real estate market by increasing its exports, to compensate for the decreased domestic demands. The Company expanded its exports to Australia, Indonesia, Spain, the United States and Vietnam. In the Middle East, the Company focused on exporting extra-thin guage hot rolled steel sheet in coils with thicknesses between 1.0-1.4 millimeters. SSI also urged its domestic clients to use SSI's products as raw materials for export.

In the domestic market, SSI expanded its sales territory in the automobile and auto parts industry, the electrical appliance industry and the motorcycle industry. These industries use high-quality steel products that no other domestic steel manufacturers can fully supply, such as hot rolled steel sheet in coils/hot rolled coils for the cold rolling, hot rolled coil pickled and oiled and extra-thin guage hot rolled steel sheet in coils. The Company tried to arrange quarterly sales contracts with some clients to reduce the risk of price changes and to be cautious about its sales pricing based on the current cost of raw materials.

In quality and services, the Company made a production plan and a delivery plan in advance to effectively manage its inventory and delivery preparation. SSI also arranged for technical protocol with its clients to guarantee that the delivered products meet the client's needs. To continually improve the quality of its products and services, the Company sent out customer satisfaction surveys to its clients for feedback.

In transportation, SSI was determined to control transportation costs and reduce the risks related to oil prices. The Company transported more products by sea, which can transport larger amounts with each shipment, and has also prepared several types of vessels that can be used under different weather conditions.

Production Risks

Risks Related to Machinery Failure

Machinery is vital to production especially on a non-stop production line. Failure of any one machine could holdup the entire production process and can affect the punctuality of the goods delivered to clients. To reduce this kind of risk, SSI has adopted the ISO 9001: 2000 Quality Management System and the ISO/IEC 17025: 1999 Laboratory Performance Assurance System to ensure non-stop and efficient production. In 2006, SSI improved its quality management and received ISO/TS 16949: 2002 Automobile Quality Management System certificate, an automobile industry manufacturing requirement.

To ensure an efficient maintenance system, SSI also improves on its condition-based maintenance, preventive maintenance, breakdown maintenance, design out maintenance and materials quality management. In 2006, the Company implemented the following:

- Continuing to review the quantity of parts for new machinery and the production capacity expansion project.
- Improving the time it takes to procure parts to reduce a parts and supplies shortage.
- Using a wireless barcode reader for a real time stock record and to keep track of parts and other supplies.

Risks to the External Community Related to Environmental Impact

The Company's production affects the environment in the surrounding communities; therefore, there are the risks that the Company can be sued by the community or sued for damages. If the production processes cause serious harm, there might be a demonstration, which could cease production and have a negative impact on the Company's image, delivery schedule and revenue. To prevent such incidents, SSI has instituted an environmental management system (ISO 14001: 2004) and an occupational health and safety management system (TIS 18001). This system is intended to ensure that there has been an assessment on environmental risks from the Company's production and there are corrective and monitoring plans in compliance with the government regulations standards and international standards. At the same time, SSI takes care to foster understanding with the nearby communities about the Company's business philosophy in regards to the safe environment. SSI also provides support to, and participates in, environmental activities in the community throughout the year in order to maintain good relationship with the community.

Risks Related to Natural Disasters and Fires

The district of Bang Saphan, the location of SSI's plant, is vulnerable to flash floods, especially during the monsoon season. The Company built embankments in the plant areas found to be at a high risk for flash flooding. SSI has also established emergency procedures to be followed in such an event, which include departmental procedural flood manuals and suggestions on how to monitor the water level in vital areas. The Company has announced and piloted successful procedures throughout 2006. SSI is certain that it has an efficient response plan to such emergencies.

The Company's production process and operational procedures are associated with heat and sparks which present the risk of fire. SSI has installed fire emergency equipment throughout the plant, which includes heat and smoke detectors, fire sprinkles, fire alarms, fire extinguishers and fire hydrants. In addition, the Company also established a fire emergency team equipped with one fire truck on call in the plant area 24 hours a day. Together with the regular inspection of related systems and operations by the external inspectors, the Company's maintenance department also maintains all fire equipment as scheduled. This ensures that SSI constantly follows strict procedures against fire and meets Thai laws and international standards.

Financial Risks

Risks Related to Currency Exchange Rates

The Company's expenses are denominated in foreign currency because all of the slabs are imported. The Company receives revenues in foreign currencies for its exports and from some domestic clients who agree to pay in US dollars. The Company, therefore, faces risks when there are changes in currency exchange rates. Since the Company has both expenses and revenues in foreign currencies, the risks have been reduced via the netting method. The Company's normal business has more expenses in foreign currencies than revenues. In 2006, SSI imported slab in US dollars, the amount was 57.8% of the total sales; while the revenues from exports and domestic sales agreed in US dollars was only 46.8% of the total sales. For the unmatched amount, the Company made forward cover agreements on the selling or buying of foreign currencies to reduce the risk. Another way to reduce the risk of exchange rate fluctuation is to fix and adjust the selling price in Thai Baht based on the changes in currency exchange rates. However, this method cannot be implemented and cannot yield the best result if the competitive condition in the market does not allow for this. In such cases, the Company may have to sometimes absorb the change in currency exchange rates.

Risks Related to Change in Interest Rates

During normal business operation, the Company has to seek both long-term and short-term loans from various financial institutions according to the debt restructuring it sees fit. They will be used as working capital and investment on fixed assets. At the end of 2006, the Company had a total of 21,960 million Baht in debt, 57% of which were short-term loans. Almost all of the loans were used to facilitate the cash flow, which mainly include accounts receivable and merchandise inventory. The total combined accounts receivable and merchandise inventory at the end of 2006 was 21,710 million Baht, most of which had floating interest rates. As a result, the Company faced risks related to changing interest rates. The rates will affect the Company negatively when they are raised higher. For example, if the interest rate increases 1%, the Company will have to pay approximately 200 million Baht more in interest per year. In 2006, SSI was negatively affected by the continuing interest rate increases due to the Bank of Thailandís policy to prevent inflation caused by high gas prices throughout the year. In 2007, the interest rate is likely to decrease because the economic forecast predicts a slow down and because of cheaper gas prices. To reduce these risks, SSI chooses loans with low interest, such as issues a

short term bond, closely monitors the interest rates in the market, and tries to change some short-term loans to long term loans with fixed interest rates when there is a trend towards increased interest rates. The Company also pays close attention to maintain an appropriate amount of its accounts receivables and merchandise inventories, which helps reduce the impacts related to changing interest rates risk.

Risks Related to Giving Trade Credit

Most of the Company's domestic sales are paid by the agreed upon due date. The average roll over debt of accounts receivable was 3,576.8 million Baht in 2006. The Company faces the risk that their accounts receivable can not pay on time and it has set policy and procedures to reduce such risk. SSI gives credit limit to each client based on the evaluation of its demand of products and their ability to pay. Each credit limit will have to be approved in writing by the related Company's chief executives depending on the size of the credit limit requested. If the credit limit requested is for the maximum amount, it needs to be approved by the Board of Executive Directors. Closely monitoring this particular risk, the Board of Executive Directors request a monthly report, at every Board of Directors meeting, on the quality of accounts receivable, especially those accounts with an outstanding balance, and about how those accounts are monitored.
In 2006, there were outstanding balances from some clients due to the slow down in their business, but with effective evaluation procedures and follow-up plans mentioned above, the Company was able to clear all outstanding balances with no adverse effects.

Risks Related to Liquidity

Risks related to liquidity means risks when the Company cannot fulfill its obligations when they are due because the Company was not able to cash out assets, or does not have enough cash it needs within a particular amount of time and doesn't have the appropriate amount of capital. All this can damage the Company. To solve this, the Company manages its liquidity risks as follows:

1. Adjusting debt to equity ratio (excluding the excess capital of assets appraisal) to the appropriate level. The ratio should not be more than 2:1. On December 31, 2006, the Company maintained the ratio of 1.72:1.

2. Monitoring and controlling against investing short-term loans in non-current assets.

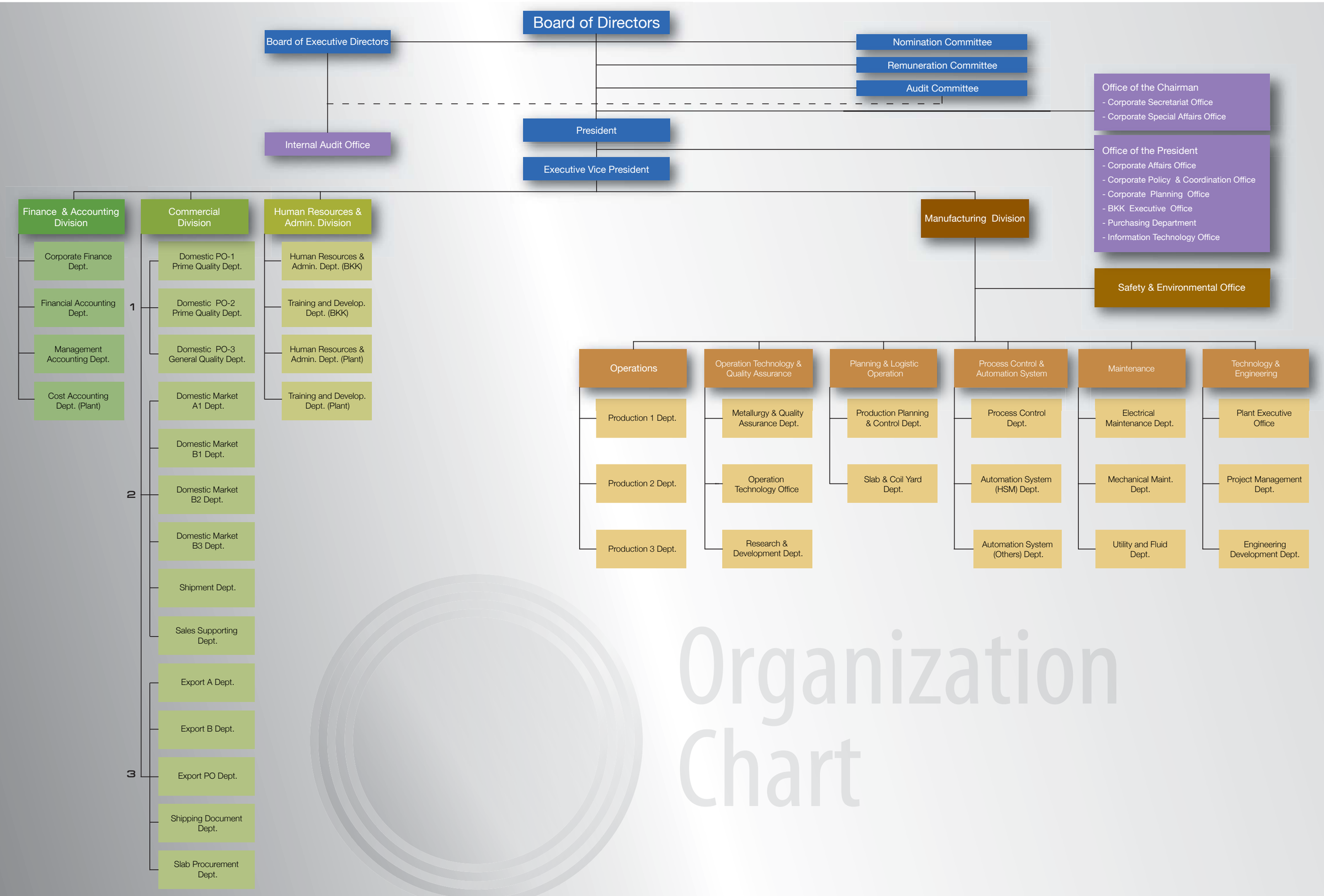
3. Monitoring the change in the ratio between current assets and current liabilities (another way to determine the liquidity position.) If the number of current assets is higher, it means the liquidity is getting better. On December 31, 2006, the Company's ratio between current assets and current liabilities was 1.36:1, which was slightly better than the previous year at 1.22:1.

4. Finding funding institutions and various kinds of loans ample enough to support the Company's action plans and needs.

5. Regularly planning the estimation of the Company's cash inflow and cash outflow to forecast its liquidity in the future and to provide enough time to solve liquidity problems. The cash inflow-outflow estimation will also result in more efficient cash management.

In 2006, the Company faced some liquidity problems because the actual domestic sales were lower than estimated. Therefore, the Company had more finished goods than it should have been. This problem was solved by increasing its export, and the results are better than expected resulting in 2006 export sales 39.8% more than the previous year.

Organization Chart



Organization Chart

General Information

Company's name, location and type of business

Name	:	Sahaviriya Steel Industries Public Company Limited
Abbreviated Name	:	SSI
Company Registration No.	:	0107537000688
Web Site	:	http://www.ssi-steel.com
Type of Business	:	Manufacture and sale of hot rolled coils and hot rolled coil pickled and oiled with a maximum capacity of 4.0 million tonnes per year while receiving promotional privileges granted by The Board of Investment (BOI)
Head Office	:	2nd - 3rd Floor, Prapawit Building, 28/1 Surasak Road, Silom, Bangrak, Bangkok 10500 Tel. 0-2238-3063 – 82 Fax. 0-2236-8890, 0-2236-8892
Branch Office	:	9 Moo 7, Ban Klang Na - Yai Ploy Road, Mae Rumphueng, Bang Saphan, Prachuap Khirikhan 77140 Tel. 0-3269-1403 – 5, 0-3269-1412 – 5, 0-3269-1419 – 20 Fax. 0-3269-1421

Type and Number of Shares

Registered capital consisting of	:	13,101,500,000 Baht 13,101,500,000 ordinary shares at 1 Baht each
Paid-up capital consisting of	:	13,101,280,000 Baht 13,101,280,000 ordinary shares at 1 Baht each

Companies, Head Office location, Types of business, Number of Issued and Paid-up Shares in Subsidiaries (more than 10% of total shares) and Shareholdings

Name and Address	Type of Business	Registered Capital (Baht)	Par Value (Baht)	Number of Ordinary Shares Issued and Paid-up (Shares)	Shareholding (%)
West Coast Engineering Co., Ltd. 3rd Floor, Prapawit Building, 28/1 Surasak Road, Silom, Bangrak, Bangkok 10500 Tel. 0-2238-3063 – 82 Fax. 0-2236-8890, 0-2236-8892	Maintenance and engineering services	75,000,000	10	7,500,000	99.99
Prachuap Port Co., Ltd. 6th Floor, Prapawit Building, 28/1 Surasak Road, Silom, Bangrak, Bangkok 10500 Tel. 0-2630-0323 – 32 Fax. 0-2236-7046	Deep sea port	400,000,000	10	40,000,000	51

References

Share Registrar:

- Ordinary Shares: Thailand Securities Depository Co., Ltd.
  62 The Stock Exchange of Thailand Building, Ratchadapisek Road, Klongtoey, Bangkok 10110
  Tel. 0-2229-2800, 0-2654-5599 Fax. 0-2359-1259
- Debentures: Bank of Ayudhya PLC
  1222 Rama III Road, Bangpongpang, Yannawa, Bangkok 10120
  Tel. 0-2296-4769 Fax. 0-2683-1297

Representative: Thai Military Bank PLC
393 Silom Road, Silom, Bangrak, Bangkok 10500
Tel. 0-2230-5040 Fax. 0-2266-9779

Auditors: Ms. Thanawan Anuratbodee Registration No. 3440
Mr. Supamitr Techamontrikul Registration No. 3356
Ms. Somporn Dulyawit Registration No. 3709
Deloitte Touche Tohmatsu Jaiyos Co., Ltd.
25th Floor, Rajanakarn Building, 183 South Sathorn Road, Yannawa, Sathorn, Bangkok 10120
Tel. 0-2676-5700 Fax. 0-2676-5757

Corporate Secretariat: Mr. Surasak Ngamsidhiphongsa
Assistant Vice President - Corporate Secretariat Office
Tel. 0-2238-3063 – 82 Fax. 0-2236-8892 Email: surasakn@ssi-steel.com

Nature of Business Operations



Established in 1990 as Thailand's first manufacturer of hot-rolled steel sheet in coils ("HRC") with an initial investment of more than US$500 million, Sahaviriya Steel Industries Public Co., Ltd. or SSI, is today the largest and modern stand-alone hot strip mill in Southeast Asia, with capacity of 4.0 million tonnes per year for HRC and up to 1 million tonnes per year for HRC pickled and oiled. SSI's facilities are located in Bang Saphan District of Prachuap Khirikhan Province, which is 400 kilometers from Bangkok on the western coast of the Gulf of Thailand and is considered to be one of the best strategic sites in Thailand for integrated steel making business.

The Company's main products are hot-rolled coils with width between 750-1,550 mm and thickness between 1.0-19.0 mm. They are widely recognized by local and international customers. In 2006, 77% of its hot rolled coils produced annually were delivered to local customers in the form of finished products for use in automobiles and spare parts industries, steel structures, steel pipe, gas tanks, home appliances and a variety of other products. A portion of that hot rolled steel sheet output is further processed into value-added products such as cold rolled steel sheets and galvanized steel sheets. The remaining 23% was exported to international markets (2006 Sales proportion data).

To develop and add values to the steel sheet industry in Thailand, the Company has invested in a number of ventures related to its core business, namely :

• **Thai Cold Rolled Steel Sheet Public Co., Ltd. (TCR),** Thailand's first cold strip mill with an annual production capacity of 1.2 million tonnes, produces cold-rolled steel sheet in coil using the Company's high-quality hot-rolled coil as feedstock.

• **Thai Coated Steel Co., Ltd. (TCS),** ASEAN's first electro-galvanizing mill with an annual production capacity of 240,000 tonnes, further galvanizes cold-rolled steel sheet with advanced electrolytic process into zinc-coated steel sheet for high-end applications.

• **Prachuap Port Co., Ltd. (PPC),** the deepest privately-owned commercial seaport in Thailand, is capable of accommodating vessels up to 100,000 DWT. The port is viewed as unique infrastructure for the Company and its steel affiliates at Bang Saphan allowing bulk cargo shipment of steel raw materials and finished products, resulting in low transportation costs.

• **West Coast Engineering Co., Ltd. (WCE),** an engineering company specialized in catering to steel industries.

With these strategic investments, SSI is the only vertically-integrated steel sheet producer (from midstream to downstream) in Thailand, with ability to deliver its products at competitive cost and with stability and efficiency in its supply chain management.

The Company constantly strives to be the best hot-rolled steel sheet producer in product quality and service to meet the wide range of its customers needs in various industries. Hence, in 2004 it decided to invest in two projects as follows:

Pickling and Oiling Line Project (P/O Line), also known as "CleanStrip", makes SSI the first leading producer of high-quality flat steel in ASEAN to serve the demands of customers in the high-end markets including automotive and appliances industries. The project started commercial production in May 2004



HSM Capacity Expansion Project (to 4 million tonnes per annum), is the largest capacity in ASEAN. Apart from increase productivity, this project also enhances the Company's product range from thickness of 1.0 mm. to 19.0 mm, improves overall quality level and reduces production cost. The Company is one of only a few manufacturers that commercially produce the thinnest available hot-rolled steel sheet in coils of 1.0 mm. The project was completed in February 2005.

Sahaviriya Steel Industries Public Co., Ltd. is now building on its premier presence as the leading hot-rolled steel sheet producer in Southeast Asia based on ideal location, technological excellence, high-quality personnel, and effective management toward good corporate governance as well as social, community, and environment responsibility.

Revenue Structure

			2006		2005		2004	
Product / Service	Operated by	Share holdings by SSI (%)	Revenue (Million Baht)	%	Revenue (Million Baht)	%	Revenue (Million Baht)	%
Hot Rolled Coils	Sahaviriya Steel Industries PLC	None	35,205[1]	98.04	36,011[1]	98.86	36,628[1]	98.75
Maintenance and Engineering Services	West Coast Engineering Co., Ltd.	99.99	46	0.13	53	0.15	30	0.08
Deep Sea Port	Prachuap Port Co., Ltd.	51.00	170	0.47	224	0.61	216	0.58
Other Revenues	Sahaviriya Steel Industries PLC		456	1.27	134	0.37	218	0.59
	Prachuap Port Co., Ltd.		7	0.02	4	0.01	-1[2]	0.00
	West Coast Engineering Co., Ltd.		25	0.07	1	0.00	2	0.00
			35,909	100.00	36,427	100	37,093	100

(1) Including sales to Thai Cold Rolled Steel Sheet PLC in the amount of Baht 2,729 million, 3,544 million, and 6,247 million in 2006, 2005, and 2004 respectively.

(2) This has been reclassified (loss on exchange of Baht 3.14 million) according to consolidated financial statements.

Shareholders

Listed are the names and shareholdings of the ten largest shareholders (as per article 258, voted the same way, as of March 21, 2006, the closure date of the company's share registry), entitled to attend the Shareholders' Annual General Meeting 2006.

The ten largest shareholders names	as of March 21, 2006	
	Number of Shares	Percentage of shareholdings
1. Sahaviriya Group	6,285,312,290	47.97
2. The Bank of New York (Nominees) Limited A/C 5100	771,057,000	5.89
3. Credit Suisse	666,330,100	5.09
4. Citibank Nominees Singapore PTE LTD-UBS AG ZURICH	612,896,400	4.68
5. Thai NVDR Company Limited	333,503,370	2.55
6. Bank of Ayudhya Public Company Limited	226,947,000	1.73
7. Ms. Sumal Limpiyachart	217,952,000	1.66
8. Mr. Nobpadol Sivabut	203,700,200	1.55
9. SOMERS (U.K.) Limited	170,891,200	1.30
10. Social Security Office	165,806,000	1.27

Note : Sahaviriya Group consists of :

		Percentage of shareholding
1.	Sahaviriya Group Co., Ltd.,	27.16%
	is an investment holding company whose major shareholders are :	
	(1) Mr. Win Viriyaprapaikit, who owns 47.14% of all shares	
	(2) Mrs. Thirarat Kunatthanont, who owns 30.90% of all shares	
	(3) Mr. Piya Viriyaprapaikit, who owns 20.95% of all shares	
	(4) Others holding 1.01% of all shares	
2.	Sahaviriya Inter Steel Holdings Co., Ltd., (formerly named SSV ASSET Co., Ltd.),	15.38%
	is an investment holding company whose major shareholders are :	
	(1) Sahaviriya Group Co., Ltd., who owns 25.00% of shares	
	(2) Mr. Piya Viriyaprapaikit, who owns 20.50% of shares	
	(3) Mr. Win Viriyaprapaikit, who owns 17.44% of shares	
	(4) Mrs. Thirarat Kunatthanont, who owns 17.00% of shares	
	(5) Mrs. Kanokvipa Viriyaprapaikit, who owns 15.00% of shares	
	(6) KP Capital Company Limited, who owns 5.00% of shares	
	(7) Others 0.06% of shares	
3.	Mrs. Prapa Viriyaprapaikit	100 shares
4.	Mr. Wit Viriyaprapaikit	100 shares
5.	Mrs. Kanokvipa Viriyaprapaikit	2.15%
6.	Mrs. Theerarat Kunatthanont	1.81%
7.	Ms. Kanokvalee Viriyaprapaikit	0.77%
8.	Mrs. Sirikul Viriyaprapaikit Bendi	0.63%
9.	Mrs. Krissana Viriyaprapaikit	0.06%
	Total shareholdings in SSI	47.97%

The latest shareholdings can be viewed via the Company's website (www.ssi-steel.com) before the Annual General Meeting of Shareholders.

Management

(1) Management

The Company's management structure consists of five committees, namely the Board of Directors, the Board of Executive Directors, the Audit Committee, the Remuneration Committee, and the Nomination Committee. Their duties and responsibilities may be summarized as follows:

1. The Board of Directors

As of December 31, 2006, the Board of Directors consists of fifteen people, namely:

• a director who is also an executive	1	person
• directors who are not executives	9	persons
• independent directors	5	persons

The names of the Board of Directors are as follows :

1. Mr. Maruey Phadoongsidhi	Chairman of the Board of Directors
2. Mr. Visith Noiphan	Independent Director
3. Mr. Tongchat Hongladaromp	Independent Director
4. Mrs. Kesree Narongdej	Independent Director
5. Mr. Tawee Butsuntorn	Independent Director
6. Mr. Prateep Buphaintr	Independent Director
7. Mr. Wit Viriyaprapaikit	Director
8. Mrs. Prapa Viriyaprapaikit	Director
9. Mr. Somchai Pipitvijitkorn	Director
10. Mr. Thaweesak Senanarong	Director
11. Mr. Kamol Juntima	Director
12. Mr. Piya Viriyaprapaikit	Director
13. Mr. Win Viriyaprapaikit	Director
14. Mr. Permpoon Krairiksh	Director
15. Mr. Nuttawit Boonyawat	Director

Mr. Surasak Ngamsidhiphongsa is in charge as the Secretary to the Board of Directors.

Independent directors are those people who :

1. Do not own more than 0.5% of the total voting shares in the Company, in the Group of companies, in corporate joint ventures, or juristic people who are in a potential conflict of interest with the Company (including related parties, according to article 258 of the legislation concerning securities and the stock exchange).

2. Have no part to play in the Company's management, are not hired, nor employees, nor regular salaried consultants, nor have any form of control over the Company, over the Group of companies, over corporate joint ventures, and are not juristic people in a potential conflict of interest with the Company, nor have had any interest, gain, or loss from the connections above-mentioned for at least one year.

3. Have no business relations, nor any interest, gain, or loss, directly or indirectly, financially or administratively, with the Company, the Group of companies, corporate joint ventures, or juristic persons who are in a potential conflict of interest with the Company.

4. Are not closely related to the management or the major shareholders of the Company, the Group of companies, corporate joint ventures, or juristic persons who are in a potential conflict of interest with the Company, nor are representing the interests of any director or major shareholder.

5. Are able to regularly attend meetings of the Board of Directors to monitor operational results and offer views leading to decisions on affairs of the Company.

The directors authorized to sign on behalf of the Company are: Mr. Maruey Phadoongsidhi, Mrs. Prapa Viriyaprapaikit, Mr. Wit Viriyaprapaikit, Mr. Kamol Juntima, Mr. Somchai Pipitvijitkorn, Mr. Piya Viriyaprapaikit, and/or Mr. Win Viriyaprapaikit. Any two of these seven can together sign a document and affix to it the Company's seal.

Authority and Duties of the Board of Directors

1. The Board of Directors is authorized and obligated to ensure that the Company achieves the objectives and complies with the regulations of the Company, as well as the resolutions of the shareholders' meetings.

2. By resolution or written authorization, the Board of Directors is entitled to delegate its responsibilities to juristic entities or people, who may or may not be directors, who will act on the Company's behalf and sign their names so as to legally bind the Company according to conditions given to the people so delegated by the Board of Directors. The Board of Directors may delegate various aspects of this authority to one or more people.

3. The Board of Directors must meet no less than once every three months.

4. The Board of Directors must organize an Annual General Meeting of Shareholders within four months from the end of the Company's fiscal year. Any other meeting of shareholders should be designated an 'Extraordinary Meeting,' and may be called any time by the Board of Directors, at their discretion, or whenever a number of shareholders whose shareholdings represent no less than one fifth of the total number of issued shares or at least twenty-five shareholders whose shareholdings represent no less than one tenth of the total number of issued shares, produce and all sign a document that clearly states their reasons and purposes in calling for a meeting. The Board of Directors must then summon an Extraordinary Meeting of Shareholders within one month from the date on which they receive such a letter from the shareholders.

5. The Board of Directors must produce a balance sheet and statement of earnings, pertaining to the Company on the final day of its fiscal year, and present it to the Annual General Meeting of Shareholders for their approval. The Board of Directors must arrange for the auditor to examine these financial statements before they are presented to the shareholders' meeting.

2. The Executive Board

As of December 31, 2006, the Board of Executive Directors has consisted of seven directors:

1. Mr. Wit Viriyaprapaikit	Chairman of the Board of Executive Directors
2. Mr. Maruey Phadoongsidhi	Executive Director
3. Mr. Somchai Pipitvijitkorn	Executive Director
4. Mr. Piya Viriyaprapaikit	Executive Director
5. Mr. Win Viriyaprapaikit	Executive Director
6. Mr. Permpoon Krairiksh	Executive Director
7. Mr. Nuttawit Boonyawat	Executive Director

Mr. Surasak Ngamsidhiphongsa is in charge as the Secretary to the Board of Executive Directors.

Scope of Authority and Duties of the Board of Executive Directors

1. To study and assess policies, strategies, long-term plans, annual plans and budgets, plans for investments, capital budgets, expansion plans, and plans for new operations or joint ventures, and submit the same to the consideration of the Board of Directors for approval.

2. To be responsible for operations according to the policies and plans approved by the Board of Directors, as well as to monitor and assess the results of those operations and to submit the same to the Board of Directors for its consideration.

3. To hire, confirm, appoint, dismiss, rotate, transfer, retire, or terminate the contracts of executives at the levels of President, Executive Vice President, Vice President, and Assistant Vice President. The Board of Executive Directors is authorized to approve and to inform the Board of Directors of its decisions.

4. To hire, confirm, appoint, dismiss, rotate, transfer, retire or terminate the contracts of executives at the level of Department Manager. The President is authorized to approve and to inform the Board of Executive Directors of its decisions.

5. To produce and approve an Authorization Chart for the executive and operational levels of the Company.

6. To determine and/or assign the authority to sign for various matters related to the Company's operations and finances.

7. To consider and approve the opening of commercial bank accounts and determine those with the authority to sign for withdrawals and payment orders from such accounts.

8. To perform other functions as assigned to it by the Board of Directors.

3. Audit Committee

As of December 31, 2006, the Audit Committee consisted of three members, each with a three-year tenure, (from June 30, 2005 to June 29, 2008) as follows:

1. Mrs. Kesree Narongdej	Chairperson of Audit Committee
2. Mr. Visith Noiphan	Audit Committee Member
3. Mr. Prateep Buphaintr	Audit Committee Member

Mrs. Wannee Sirikanchana is in charge as the Secretary to the Audit Committee.

Scope of Duties and Responsibilities of the Audit Committee

1. To ascertain that the Company's financial reports are accurate and adequate.

2. To ascertain that the Company's systems of internal control and internal auditing are appropriate and effective.

3. To ascertain that the Company is acting in compliance with all laws and regulations having to do with securities, the stock exchange, and the Company's line of business.

4. To examine the Company's risk management system, with particular focus on the Company's main sources of risk.

5. To consider and select the Company's auditor, and propose his/her appointment period and remuneration.

6. To ascertain that the disclosure of corporate information, in the event of related-party transactions or potential conflicts of interest, is accurate and complete.

7. To consider hiring special consultants, at the Company's expense, if particular advice or expert knowledge is required.

8. To perform whatever other functions are assigned to it by the Board of Directors if they meet with the approval of the Audit Committee.

9. To report to the Board of Directors what changes or improvements the Audit Committee deems suitable if it discovers or suspects the following:

9.1. Conflicts of interest.

9.2. Significant misdemeanours, abnormalities, or deficiencies in the system of internal control.

9.3. Violations of the laws or regulations pertaining to securities, the stock exchange, or the Company's line of business.

10. To report the operational results of the Audit Committee to the Board of Directors at least twice a year.

11. To report the activities of the Audit Committee to the Company's shareholders in the form of a report submitted to the Board of Directors, signed by the Audit Committee Chairperson, and published in the Company's annual report.

4. The Remuneration Committee

As of December 31, 2006, the Remuneration Committee consisted of three people whose term in office is three years, (from November 24, 2004 to November 23, 2007) as follows:

1. Mr. Tawee Butsuntorn — Chairman of Remuneration Committee
2. Mr. Somchai Pipitwichitrakon — Remuneration Committee Member
3. Mr. Taweesak Senanarong — Remuneration Committee Member

Ms. Dusadee Sirichaitavin is in charge as the Secretary to the Remuneration Committee

Scope of Authority and Responsibilities of the Remuneration Committee

The duties and responsibilities of the Remuneration Committee are as follows:

1. To consider guidelines for determining remuneration for the Board of Directors, other committees established by the Board of Directors, and the President. This remuneration should include meeting allowances, annual bonuses, certificates of rights to purchase common shares of the Company, and other benefits, either monetary or non-monetary, and to consider the remuneration structure for senior executives. The means of determining remuneration or remuneration structures should be fair and reasonable.

2. To consider rates of remuneration for the Board of Directors, other committees established by the Board of Directors, the President, and the remuneration structure for senior executives in comparison with standard practice in the industry among companies listed in the Stock Exchange of Thailand, their duties and responsibilities, and how they are linked to the performance of the Company.

3. To engage in other activities, assigned to it by the Board of Directors, having to do with remuneration.

4. The Remuneration Committee may seek the advice of outside consultants concerning remuneration if considered necessary, and may take courses or classes, to increase their knowledge about matters of remuneration, at the Company's expense.

5. The Remuneration Committee must regularly report the results of its meetings or other matters of concern to the Board of Directors.

5. The Nomination Committee

As of December 31, 2006, the Nomination Committee consisted of three people whose term in office is three years, (from November 24, 2004 to November 23, 2007) as follows:

1. Mr. Visith Noiphan — Chairman of Nomination Committee
2. Mr. Kamol Juntima — Nomination Committee Member
3. Mr. Prateep Buphaintr — Nomination Committee Member

Mr. Surasak Ngamsidhiphongsa is in charge as the Secretary of the Nomination Committee

Scope of Duties and Responsibilities of the Nomination Committee

The duties and responsibilities of the Nomination Committee are as follows:

1. To select, in a principled and transparent manner, people who should be nominated as Company Director or President, including those suggested by shareholders (if any).

People nominated must be knowledgeable, competent, independent, capable of cautious judgement, loyal, and dedicated to the time and effort it takes for their tasks, of an acceptable age, in good health physically and mentally, able to regularly attend meetings of the Board and prepare for them in advance, able to contribute usefully to such meetings, forthright, daring enough to express opinions in meetings, and possessed of good work experience and moral behaviour.

The Nomination Committee will give priority to people whose skills, experience, professionalism, and special characteristics are wanted or needed in the Board of Directors to ensure that the Board of Directors is as complete as possible and best able to serve the Company's interests. The nominee's directorship in other companies will be considered, to determine whether such a position would have an effect on the Company or constitute a conflict of interest. The same considerations apply to the position of President.

2. To request the opinions of the Board of Directors (if any) regarding nominations prior to submitting names to the Board of Directors or a shareholders' meeting for further consideration.

3. To engage in other activities assigned to it by the Board of Directors that have to do with nominating directors or the President.

4. The Nomination Committee may seek the advice of outside consultants concerning remuneration if considered necessary, and may take courses or classes, to increase knowledge about matters of nomination, at the Company's expense.

5. The Nomination Committee must regularly report the results of its meetings or other matters of concern to the Board of Directors.

The Company's Management is as follows :

1. Mr. Win Viriyaprapaikit	President
2. Mr. Boonnarg Mockmongkonkul	Senior Vice President - Manufacturing Division
3. Mrs. Vilai Chattanrassamee	Vice President - Finance & Accounting Division
4. Ms. Dusadee Sirichaitavin	Vice President - Human Resources & Administration Division, Secretary to the Remuneration Committee
5. Mr. Wichien Tungsuknirundorn	Vice President - Commercial Division 2
6. Mr. Prueng Piyachart	Vice President - Commercial Division 3
7. Mr. Chartchai Pomloy	Assistant Vice President - Commercial Division 1
8. Mr. Wera Kosacarn	Assistant Vice President - Commercial Division 2
9. Ms. Wanna Tangcharoenching	Assistant Vice President - Commercial Division 3 (Slab Procurement)
10. Mr. Thinnakorn Phadungwong	Assistant Vice President - Manufacturing Division (Operations)
11. Mr. Kittisak Mapanao	Assistant Vice President - Manufacturing Division (Technology & Engineering)
12. Mr. Soonthorn Wasansaerekul	Assistant Vice President - Manufacturing Division (Operation Technology and Quality Assurance)
13. Mr. Somkiat Panichkul	Assistant Vice President - Manufacturing Division (Maintenance)
14. Mr. Thavorn Cananub	Assistant Vice President - Manufacturing Division (Planning & Logistic Operations)
15. Mr. Narongrit Chotnuchittrakul	Assistant Vice President - Finance & Accounting Division (Accounting)
16. Mr. Vuthi Asvasermcharoen	Assistant Vice President - Finance & Accounting Division (Finance)
17. Mr. Srijaroung Bandhaya	Assistance Vice President - Human Resources & Administration Division
18. Mr. Visidha Anuttra	Assistant Vice President - Corporate Policy & Coordination Office
19. Mrs. Ninlawan Sivapuchpong	Assistant Vice President - Corporate Affairs Office
20. Mr. Ongkarn Srivichit	Assistance Vice President - Planning Division
21. Mrs. Wannee Sirikanchana	Chief - Internal Audit Office, Secretary to the Audit Committee
22. Mr. Surasak Ngamsidhiphongsa	Assistant Vice President - Corporate Secretariat Office, Secretary to the Board of Directors, Secretary to the Board of Executive Directors, Secretary to the Nomination Committee

Scope of Duties and Responsibilities of Executives

1. Prepare strategic and working plans, both short and long term, that accord with the Company's policies and business plans.

2. Organize a process of transmitting information within the organization so that all personnel are aware of the policies to be implemented, as determined by the Board of Directors.

3. Perform the tasks assigned by the Board of Directors, in accordance with the objectives, regulations, and rules of the Company, and within the authority normally granted to perform such tasks.

4. Produce reports of one's activities to the Board of Directors in a timely fashion. The reports should contain:

4.1. The state of the Company's operations or operational results, management of risk in various areas, and timely comments on internal and external factors that could affect the Company.

4.2. Plans altered to conform to the policies decided on by the Board of Directors, and revised strategic plans as business conditions change. Such changes might include new legislation, the state of the competition, or business opportunities.

(2) Nomination of Directors and Executives

2.1. Nominating Directors

The Company has appointed a Nomination Committee to select individuals suitable for nomination as directors or President of the Company, and to propose their names to a meeting of the Board of Directors and/or a shareholders' meeting for consideration. Details of this appear in article (1) Management, topic 5. Nomination Committee.

2.2. Nominating Executives

The Board of Directors has delegated authority to the Board of Executive Directors for the consideration and appointment of knowledgeable, competent, and experienced persons who are fit to become executives of the Company. When an appointment has been made, it should be reported to the Board of Directors.

The Company has also produced a succession plan by which personnel within the Company can prepare to become corporate executives.

Rights of Minor Shareholders in the Appointment of the Board of Directors

Directors shall be appointed by a majority of votes in a meeting of shareholders, according to the following criteria and procedures:

1. Each shareholder has a number of votes equal to the number of shares held.

2. Each shareholder may use the total number of votes he has, as per (1), to elect one or more directors. If there are several directors to be elected, each shareholder must use all votes he/she has, as per (1), to vote for each candidate who is best suitable for a director. The votes may not be divided or distributed among two or more people.

3. Those who receive the most votes are considered to be elected as directors, in the order of most votes received to least, up to the number of directors to be elected at that time. If two or more candidates receive the same number of votes for the position available, the Chairman of the meeting shall make the decision on which candidate is to be chosen.

(3) The Remuneration for the Directors and the executives in 2006.

1. Total Monetary Remuneration

1.1. The structure of monetary remuneration as payments made for meeting allowances for the directors of the Company and the members of the committees as appointed by the Board of Directors, approved by the Annual General Meeting of Shareholders No.16, held on April 5, 2005, is as follows :

(1)	(1.1)	The Chairman of the Board of Directors	31,250 Baht/ month
		Directors	25,000 Baht/ month

(1.2)	The Chairman of the Executive Directors	18,750 Baht/ month
	Executive Directors	15,000 Baht/ month
(1.3)	Audit Committee Chairperson	18,750 Baht/ time
	Audit Committee Members	15,000 Baht/ time
(1.4)	Chairman of the Remuneration Committee	12,500 Baht/ time
	Remuneration Committee Members	10,000 Baht/ time
(1.5)	Chairman of the Nomination Committee	12,500 Baht/ time
	Nomination Committee Members	10,000 Baht/ time

(2) The Company's directors, who were appointed as directors of each committee by the Board of Directors, should receive remuneration as directors of such committees due to additional job responsibilities and working time.

1.2. The Chairman of the Board of Directors and the Chairman of the Board of Executive Directors should receive an additional Baht 300,000 per month and Baht 200,000 per month respectively given that they work for the Company on a full-time basis. The Audit Committee Chairperson should receive Baht 10,000 per month as an internal audit advisor of the Company.

1.3. Health insurance, accident insurance, and life insurance payments not exceeding Baht 20,000 per person, as resolved in the Annual General Meeting of Shareholders No.12, held on April 30, 2001, will be paid on behalf of any director for whom the regular Company insurance plan does not cover and/or does not provide coverage for specific illnesses, and in the case of health insurance, whatever the reason. At the Annual General Meeting of Shareholders No.13, held on April 4, 2002, it was resolved that the Company directly accepts the burden of insurance payments for the behalf of all directors for whom the regular Company's insurance plan does not provide coverage, up to the standard insured amount and/or the standard benefits provided by the life, health, or accident insurance company to that director, at a rate of payment approved by the shareholders.

1.4. The directors who are senior executives should receive remuneration as senior executives only and should not receive remuneration as directors.

1.5. The directors' remuneration or annual bonuses.

(1) The directors' bonuses should be paid only when there is a dividend payment to the shareholders. If the Company has no dividend payment in any year, the directors will not receive the directors' bonus on that year.

(2) The directors' bonus rate should account for 0.25 percent to 0.50 percent of the dividend payment to the shareholders. The Chairman of the Board of Directors and the Chairman of the Board of Executive Directors should receive the directors' bonus at 10 percent and 5 percent higher than those of the directors, respectively.

(3) The directors whose working period is less than one year should receive the directors' bonuses in proportion to their actual working period.

Remuneration is still paid according to principles 1.1 to 1.5 mentioned above until a meeting of shareholders shall decide otherwise.

In 2006, the Annual General Meeting of Shareholders No.17, held on April 10, 2006, approved to omit the payment of an annual bonus to the director for the year 2005. Because of the slowing economy, the Company suffered a loss during this fiscal year, thus was unable to pay shareholders an annual dividend. For this reason, the Directors did not receive any bonus or pension according to the Remuneration Policy approved by the Shareholders.

(Baht / Year)

No.	Name and Position	Meeting Allowance	Remuneration	Insurance and Healthcare	Director Bonus in 2005	Total Remuneration
1	Mr. Maruey Phadoongsidhi Chairman of the Board of Directors and Executive Director	555,000	3,600,000	79,942.43	-	4,234,942.43
2	Mrs. Prapa Viriyaprapaikit Director	300,000	-	2,093.93	-	302,093.93
3	Mrs. Kesree Narongdej Independent Director and Chairperson of Audit Committee	570,000	-	2,093.93	-	572,093.93
4	Mr. Visith Noiphan Independent Director, Audit Committee Member and Chairman of Nomination Committee	457,500	-	2,093.93	-	459,593.93
5	Mr. Prateep Buphaintr Independent Director, Audit Committee Member and Nomination Committee Member	450,000	-	13,888.93	-	463,888.93
6	Mr. Tongchat Hongladaromp Independent Director	300,000	-	14,223.93	-	314,223.93
7	Mr. Tawee Butsuntorn Independent Director and Chairman of Remuneration Committee	325,000	-	2,093.93	-	327,093.93
8	Mr. Somchai Pipitvijitkorn Director, Executive Director and Remuneration Committee Member	500,000	-	2,093.93	-	502,093.93
9	Mr. Taweesak Senanarong Director and Remuneration Committee Member	320,000	-	2,093.93	-	322,093.93
10	Mr. Kamol Juntima Director and Nomination Committee Member	330,000	-	2,093.93	-	332,093.93

(Baht / Year)

No.	Name and Position	Meeting Allowance	Remuneration	Insurance and Healthcare	Director Bonus in 2005	Total Remuneration
11	Mr. Wit Viriyaprapaikit Director and Chairman of the Board of Executive Directors	525,000	2,400,000	2,093.93	-	2,927,093.93
12	Mr. Piya Viriyaprapaikit Director and Executive Director	480,000	-	2,093.93	-	482,093.93
13	Mr. Permpoon Krairiksh Director and Executive Director	480,000	-	2,093.93	-	482,093.93
14	Mr. Nuttawit Boonyawat Director and Executive Director	480,000	-	2,093.93	-	482,093.93
15	Mr. Win Viriyaprapaikit * Director, Executive Director and President	-	-	2,093.93	-	2,093.93

* Mr. Win Viriyaprapaikit, President, serves as an employee of the Company, and does not receive a meeting allowance, director's remuneration, or a director's pension.

1.6. Remuneration for executives at the Vice President level and higher, in the form of salaries, bonuses, vehicle allowances, insurances and traveling allowances for five people plus the President, totaled Baht 32,516,212.69 for the year.

2. Other Forms of Remuneration

2.1. Contributions to the pension fund for executives at the level of Vice President and higher, for five people plus the President, totaled Bath 1,916,673.90 for the year.

(4) The Remuneration for the Auditor in 2006

1. Audit Fees

The Company and its subsidiaries (Prachuap Port Co., Ltd. and West Coast Engineering Co., Ltd.) paid an audit fee of Baht 4,490,000 to the auditing office of Deloite Touche Tomatsu Chaiyot Co., Ltd., of which the auditor, a person or business related to the auditor and an office of the auditor is a member, for the past fiscal year.

2. Non-Audit Fees

The Company and its subsidiaries (Prachuap Port Co., Ltd. and West Coast Engineering Co., Ltd.) must pay for other services, namely the auditing of a project that received investment support and for which an exemption from annual income tax may be requested. Payment of Baht 300,000 is to be made to the auditing office of which the auditor will be a member at a later date, as this service has not been completed during the past fiscal year.

(5) Shareholding in the Company by Directors and Management

No.	Director and Executive Name	As of December 31, 2005 at Baht 1 each	As of December 31, 2006 at Baht 1 each	Increase (Decrease) in Shares Held During 2006 at Baht 1 each
1.	Mr. Maruey Phadoongsidhi Spouse: Mrs. Pittaya Phadoongsidhi	- 2,100,000 shares	- 2,100,000 shares	- -
2.	Mr. Wit Viriyaprapaikit	100 shares	100 shares	-
3.	Mrs. Prapa Viriyaprapaikit	100 shares	100 shares	-
4.	Mr. Somchai Pipitvijitkorn	-	-	-
5.	Mr. Taweesak Senanarong	-	-	-
6.	Mr. Visith Noiphan	-	-	-
7.	Mrs. Kesree Narongdej	-	-	-
8.	Mr. Tongchat Hongladaromp	-	-	-
9.	Mr. Tawee Butsuntorn	-	-	-
10.	Mr. Prateep Buphaintr	-	-	-
11.	Mr. Kamol Juntima	1,070,000 shares	1,070,000 shares	-
12.	Mr. Permpoon Krairiksh	-	-	-
13.	Mr. Nuttawit Boonyawat	2,000 shares	2,000 shares	-
14.	Mr. Piya Viriyaprapaikit	-	-	-
15.	Mr. Win Viriyaprapaikit	-	-	-
16.	Mr. Boonnarg Mockmongkonkul	-	-	-
17.	Mrs. Vilai Chattanrassamee	-	-	-
18.	Ms. Dusadee Sirichaitavin	-	-	-
19.	Mr. Prueng Piyachart Spouse: Mrs. Tavitha Piyachart	- 362,000 shares	- 322,000 shares	- (40,000 shares)
20.	Mr. Wichien Tungsuknirundorn	-	-	-

Dividend Policy

The Company's policy is to pay dividends at a rate of no less than 25% of the Company's net profit each year, after deducting income tax, the legally mandated reserve, and other reserves. The payment of dividends will, nonetheless, depend on economic conditions, operating profits, investment plans, various contract conditions, and other factors, for now and in the future, beginning with the results of operations in 2005.

The resolution of the Board of Directors regarding the payment of dividends will be proposed to a shareholders' meeting for approval, unless it is an interim payment, in which case the Board of Directors is authorized to approve payment and then report the payment to the next shareholders' meeting.

The Company has not determined any particular rate for the payment of dividends from subsidiaries. This depends on the results of the operations of each subsidiary. The Board of Directors of each subsidiary will make the decision concerning dividends on a case-by-case basis.

In 2003, the Company signed a new loan agreement in which its creditor financial institutions stipulated that dividends equal to no more than 60% of its net profit, after setting aside the legally mandated reserve, might be paid.

In 2006, the Company was unable to pay dividends during that fiscal year. Because of the slowing economy, the Company was obliged to maintain its liquidity, and in that way was best able to serve the interests of the Company's shareholders and stakeholders.

Corporate Governance and Its Implementation

The Board of Directors of Sahaviriya Steel Industries Public Co., Ltd. (SSI) is constantly determined to maintain good corporate governance to ensure that its operations prosper and achieve sustainable growth. The Board of Directors manages the Company not only by following the Company's business philosophy and ethics, but also by following the Stock Exchange of Thailand's good corporate governance guidelines. To support the National Corporate Governance Committee, the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), the Company intends to improve its governance to closely meet international standards.

In 2005 and 2006, SSI received numerous awards and/or certificates of achievement for good corporate governance from a variety of organizations, offices and institutions supporting good corporate governance in the Thai Capital Market. Following are a list of awards and certificates received in the past two years.

2005

• The Best Corporate Governance Report, as part of the 2005 SET Awards Program, on July 18, 2005. This award went to the listed company whose disclosure of its compliance with the fifteen principles of good corporate governance, as laid down by the SET, was considered outstanding.

• One of the Top Quartile Companies, as part of the Corporate Governance Report of the 2005 Thai Listed Companies, on November 3, 2005, organized by the Subcommittee for Knowledge Promotion and Public Relations on Corporate Governance Practices in Thailand, the SEC, the SET and the Thai Institute of Directors.

• The Board of the Year for Distinctive Practices for 2004-2005, as part of the Board of the Year Awards 2004-2005 Program, on November 28, 2005. This program is co-sponsored by the Subcommittee for Knowledge Promotion and Public Relations on Corporate Governance Practices in Thailand, the Thai Institute of Directors, the SET, the Thai Chamber of Commerce, the Federation of Thai Industries, the Thai Bankers' Association, and the Listed Companies Association.

2006

• The rating of "Good", as part of the Annual General Meeting (AGM) Quality Assessment Program (from among 433 listed companies that held their annual general meetings between March and April 2006) on June 21, 2006, which was organized by the SEC and the Thai Investors Association.

• The Distinction in Maintaining Excellent Corporate Governance Report, as part of the SET Awards 2006 Program on July 26, 2006. The Company received acknowledgement for two consecutive years, which shows that the Company has maintained its corporate governance standards meeting the SET's guidelines.

• The rating of "Excellent" (4 stars, 80-89 scores), as part of the 2006 Corporate Governance Report of Thai Registered Companies Program on October 27, 2006, which was organized by the Subcommittee for Knowledge Promotion and Public Relations on Corporate Governance Practices in Thailand, the SEC, the SET, and the Thai Institute of Directors.

Corporate Governance Policy

The Board of Directors of Sahaviriya Steel Industries Public Co., Ltd. (SSI) is well aware of its role and responsibilities in promoting good corporate governance as a way of ensuring that its operations prosper and achieve sustainable growth. This requires effective and transparent management to create confidence among stakeholders for the long term benefit of the Company and its shareholders. The Board of Directors has determined that the implementation of good corporate governance requires the collaboration of four parties, namely the Board itself, the Company's management, the Company's independent auditors, and the Company's internal audit office.

In 2002, the Board of Directors officially approved a resolution adopting fourteen principles of good corporate governance as company policy. These principles are in accordance with the fifteen principles laid down by the Stock Exchange of Thailand, one of which states that listed companies should have their own policies of corporate governance (and thus is not included in the fourteen principles adopted by the Company.)

Principles 1 - 3 :

1. The Board of Directors is well aware of its responsibility to protect the interests of shareholders, to treat them equally, and provide each of them equal access to corporate information.

2. The Board of Directors shall ensure that meetings of shareholders are conducted in accordance with the laws and the guidelines laid down by the Securities and Exchange Commission and the Stock Exchange of Thailand.

3. The Board of Directors shall attend to the rights of stakeholders and govern the Company's operations so that they comply with all relevant laws.

Principles 1 - 3 :
Rights of Shareholders and Stakeholders
- Shareholders : Their Rights and Status
- Shareholders Meetings
- Rights of Various Groups of Stakeholders

4. The Board of Directors is responsible for determining the Company's vision and mission, ensuring accord with them, and maintaining effective procedures of risk management and internal controls.

5. The Board of Directors must consist of no less than three directors who are independent.

6. The Board of Directors may establish various committees, such as the Board of Executive Directors or an Audit Committee, whose purpose is to study or consider matters before submitting them for deliberation of the Board. Other committees may be established as needed.

7. The Board of Directors has seen fit to divide the functions of the Chairman of the Board of Directors, the Chairman of the Board of Executive Directors, and the President, among separate and different individuals, with the authority and duties of each position being clearly defined. It has also seen fit to adjust the Authorization Chart Manual from time to time to clarify the scope of authority to be exercised by the Board and by those in management who have been assigned authority.

Principles 4 - 9 :
The Board of Directors Structure, Role and Duties, and Independence .
- Leadership and Vision
- The Balancing Effect of Non Management Directors
- Committees
- Joining or Dividing Positions

8. The Board of Directors must hold regular meetings at least once every three months, and other special meetings may be held at other times if necessary. Each meeting must be appointed in advance, along with a clear agenda for that meeting. All documents necessary for that meeting must be prepared and sent to Board members, as per regulations, so that they have sufficient time to peruse the documents before participating in the meeting.

9. The Board of Executive Directors must have regular meetings at least once a month, and other special meetings may be held at other times if necessary. Each meeting must be appointed in advance, along with a clear agenda for that meeting. All documents necessary for that meeting must be prepared and sent to Board members, as per regulations, so that they have sufficient time to peruse the documents before participating in the meeting.

10. The Board of Directors is responsible for considering whether the payment of compensation to directors is appropriate, transparent, and free of conflicts of interest. The amount of compensation to be paid is, in any case, determined by a resolution from a meeting of shareholders.

Principle 10 :
Compensation for Directors and Executives

11. The Board of Directors shall establish a code of business ethics for the Company's operations and principles of good practice for directors and staff, and shall communicate them to all relevant parties.

Principle 11 : Business Ethics

12. The Board of Directors shall establish a clear policy whereby conflicts of interest that involve directors, management, or shareholders will be eliminated in ways that are scrupulous, honest, ethical, reasonable, and moral.

Principle 12 : Conflicts of Interest

13. The Board of Directors recognizes the need for internal control systems, whether financial, operational, or administrative. For this reason, the Board has established a separate Office of Internal Audit within the Company.

Principle 13 : Systems of Internal Controls and Internal Auditing

14. The Board of Directors shall regulate the Company's affairs in such a way that investors may be informed of the full, timely, and accurate disclosure of all significant information regarding the Company.

Principle 14 : Disclosure and Relations with Investors

In the beginning of 2006, the Company appointed a Corporate Governance Working Committee to promote good corporate governance on a consistent basis and to ensure that the Company's implementation thereof conform to the international standards of investors. The function of the Working Committee is to evaluate, review, consider, and propose the means whereby the Company could practically implement its policy of good corporate governance and establish a corporate culture supporting such a policy, and one that would serve as a long-term basis for growth.

In 2006, the Company's implementation of its policy of good corporate governance, as stated by the Board of Directors, can be summarized as follows:

Rights of Shareholders and Stakeholders

The Company is a juristic person established by Civil and Commercial Code. It was converted into a Public Limited Company according to the Public Limited Company Act and was also listed with the Stock Exchange of Thailand (SET). The 1992 Public Limited Company Act provides for thorough protection of the rights of shareholders; and the SET has also issued a complete set of guidelines and regulations to protect the interests of investors. The Board of Directors has likewise declared its intention to safeguard the rights of shareholders and stakeholders, as mentioned in articles 1-3 of the policy statement above and as also mentioned in the company's Code of Conduct. Details are described in this report in the Business Ethics section. Shareholders are, therefore, assured full and equal rights and protection with the Company.

The Company's management plans to ensure its operations prosper and achieve sustainable growth. The Company's business philosophy includes the following:

1. Devotion to excellence
2. Adherence to quality of products and services
3. Believe in the value of our personnel
4. Commitment to honesty and ethics
5. Dedication to our social and environmental responsibilities

It is part of the Company's mission, as outlined in its business plan for 2003-2007, that "The Company will enhance the value for shareholders and provide fairness to all stakeholders". This corresponds with the Company's operational principles, one of which states that: "the Company is strongly determined to do business following appropriate morale and values, and follow good business ethics. The Company believes that business conducts with good morale and values will lead to a peaceful society and a stable future for the country, which in return bring permanent growth and prosperity to the Company. The Company shall conduct its business responsibly, transparently, and fairly with respect to all groups, including shareholders, investors, customers, business partners, creditors, competitors, employees, the government, the community, and the society."

The Company is truly concerned for the quality of life of all stakeholders, including employees, the families of employees, the community, the society, and the environment. The Company aims to develop its steel industry as well as the quality of the community, society, and the environment in keeping with its business creed and the principles of good corporate governance. This commitment to sustainable development involves the establishment of effective systems of management for safety, occupational health, and the environment, as integral parts of corporate operations. ISO 14001: Environmental Management System Standards are utilized to protect and sustain the environment, while TIS 18001 Occupational Health and Safety Management System Standards perform similar functions regarding staff. The Company encourages, furthermore, employees' awareness of using energy and natural resources sparingly and responsibly, preventing pollution, and following the Procedures and Work Instructions accurately. The compliance of personnel with regulations is a duty that all must uphold if the Company's Occupational Health, Safety, and Environmental Policies are to achieve their purpose.

Another operational creed of the Company has been formulated, namely :

"The Company believes that quality employees are the guarantors of corporate success."

The Company is convinced, therefore, that human resources are an important factor in ensuring the success of the Company. High-quality employees deserve rewards and a high-quality lifestyle; and the Company maintains this through fair compensation at levels comparable to market standards along with a wide variety of fringe benefits, including provident funds, scholarships, health insurance, and accident and life insurance. Employee Commutation is also provided at the Bang Saphan Plant. The employee is encouraged to educate themselves. The Company also supports an employee savings co-operative by providing funding, premises, and staffing. The staff workplaces are provided with a superlative degree of effective health and safety measures, and this commitment is complemented by the Company's firm resolve to apply its Policy of Occupational Health, Safety, and Environment to the surrounding society and environment.

The Company has considered the work procedures and/or activities that enable collaborations between the Company and the stakeholders to ensure the Company's prosperity and sustainable growth, and also to create balance among the stakeholders, which also agrees with the sufficient economy philosophy of Thailand. On April 18, 2006, the Company appointed various working committees to act as the main contacts to manage, control, follow-up, and give advice to committees, working committees and working sub-committees that share or have almost similar responsibilities. The committees, working committees and working sub-committees mentioned below were already appointed and have been working for sometime. Their work concerns each group of stakeholders below :

1. The Human Resources and Welfare Management Working Committee and Staff Selection and Quality of Work Life Development Working Committee is the main contact for the following issues :

Committee/Working Committee/Working Sub-Committee	Stakeholders
Welfare Management Committee Provident Fund Management Committee	staff
Safety, Occupational Health and Working Environment Committee	staff, business partners
Staff Development Working Sub-Committee Staff Selection for Master's Degree Scholarship Working Sub-Committee Staff Selection Working Sub-Committee	staff
Staff Ethics and Corporate Values Working Sub-Committee	various groups of stakeholders

2. The Planning of Production/Raw Material/Finished Goods Working Committee is the main contact for the following issues :

Committee/Working Committee/Working Sub-Committee	Stakeholders
Raw Materials Suppliers Monitoring Working Sub-Committee	business partners, clients and society
Service Quality Improvement Working Sub-Committee	clients

3. The Corporate Communication Working Committee is the main contact for the following issues :

Committee/Working Committee/Working Sub-Committee	Stakeholders
Environmental Public Relations and Communication Working Sub-Committee	clients, community and society
Steel Production Technology Advancement Public Relations Working Sub-Committee	staff, clients, shareholders and investors

4. The Productivity Working Committee is the main contact for the following issues :

Committee/Working Committee/Working Sub-Committee	Stakeholders
Safety, Occupational Health and Environment Working Sub-Committee	staff, community and society
Energy Conservation Working Sub-Committee	shareholders, community, society and government

5. The System and Product Development Working Committee is the main contact for the following issues :

Committee/Working Committee/Working Sub-Committee	Stakeholders
Research and Development Working Sub-Committee	staff, clients, community and society
Research with Applied Iron and Steel Research Center Working Sub-Committee	clients and staff
Product Quality Control Working Sub-Committee	clients

Following are some examples of how the working committees have encouraged the Company and stakeholders to work and take place in activities together.

• The Raw Materials Suppliers Monitoring Working Sub-Committee visited and inspected ISO and/or laboratory certification requirements at several overseas raw material supplier company sites to guarantee effective and efficient agreement on technical protocol and specifications, and to agree upon quality related issues and other concerns.

• In addition to improving the quality of customer service, the Service Quality Improvement Working Sub-Committee was involved with other activities to build customer relations such as the Bangkok-Batavia Resorts and Spa Rally in Pranburi, Prachuapkhirikhan province from December 2-3, 2006 targeted at the HRC-P/O clients.

• The Procurement Department organized a seminar for vendors and service providers to announce the Company's supply and procurement policy, systems and processes, and the Company's goals and projects. The Company also gave awards to excellent vendors and service providers on December 14, 2006 to enhance efficiency and effectiveness of the supplying and procurement process.

Shareholders' Meetings

In every shareholder's meeting, the Board of Directors is well aware of the shareholders' right to receive equal treatment and adequate facilities in terms of information, place and time. As a result, the Chairman must provide enough time for shareholders to express their view or opinions and ask questions. The Chairman of the Board of Directors and the directors themselves answer the questions that relate to their own field of expertise. Shareholders may freely offer advice to the Board of Directors, as well. In addition, 30 days before the shareholders' meeting, the Company publicizes on its Web site the meeting invitation and related meeting documents, especially those needed to be used to make decisions on the meeting day according to the meeting agenda. The site allows the shareholders quick and easy access to the necessary information. They can refer to these documents before receiving them in the mail. However, no agendas will be added without prior notice to the shareholders.

In 2006, there was one shareholders' meeting. On April 10, 2006, the Company held the Annual General Meeting of Shareholders No.17, at the Holiday Inn on Silom Road. Most of the Board of Directors, especially the Directors who are a chairman of sub-committees, attended this meeting and were available to answer questions from the shareholders. The Chief Executive officers, especially those in charge of the Company's financial reports, and the auditors, were also present at the meeting. The meeting was conducted according to the Company's Articles of Association, requirements of the law, and the rules of the SET. The Company announced to the SET the closing of the Shareholders' Registry 14 days in advance of the actual closure date, thereby suspending the trading of shares and so determining who was entitled to take part in the shareholders' meeting. An invitation to the meeting, together with a clear agenda and the opinions of the Board of Directors regarding each item on the agenda, was sent to shareholders no less than 7 days in advance of the actual meeting date. Included also in this mailing was the 2005 annual report, an invitation letter, important data for decision making and three forms, as per the requirements of the Ministry of Commerce, for shareholders who wished to authorize proxies to act on their behalf in any way they wished. On the day of the meeting, the Company opened registration one hour and a half ahead of time. The Company explained the rights of shareholders, according to corporate regulations, the procedures for the meeting, and the procedure for ensuring equal voting rights.

The Board of Directors encouraged all shareholders to attend the meeting and freely exercise their voting rights. This included those who were unavailable to attend the meeting as well. Since the Extraordinary General Meeting of Shareholders No. 1/2004 on November 18, 2004, the Company has revised its procedures to provide more facilities for shareholders unable to attend meetings. The new Proxy Appointment Letter devised by the Ministry of Commerce provides more alternatives to absent shareholders, such as appointing an independent director to attend and vote on their behalf. The Company's authorization form designates six people capable of being authorized, namely two independent directors, the Chairman of the Board of Directors, the Chairman of the Board of Executive Directors, the President, and any other person whom the shareholders choose. A shareholder may select any one of these six. The names of all directors appearing are recorded in the minutes of each meeting.

The Company encourages shareholders to submit questions related to the 2006 performance report before the General Meeting of the Shareholders No. 18. During the specified time, Shareholders can submit questions by e-mail at agm18@ssi-steel.com or by postal mail to the Chairman of the Board of Directors, the Board of Directors, the President, or the Secretary. The Board of Directors will then respond to the questions during the meeting.

Rights of Minority Shareholders in Electing the Board of Directors

Directors are elected in a meeting of shareholders by the vote of the majority, according to the following procedure:

1. Each shareholder has as many votes as he or she owns shares.
2. Each shareholder may use his or her votes, as per Article 1, to elect one or more directors. If many directors are to be elected, he or she must use all of his or her votes as per Article 1. He or she may not divide his or her votes among more than one candidate at any one time.
3. Candidates who receive the most votes, in order of high to low, are deemed elected, up to the number of positions available. If the last position available is claimed by two or more candidates who have received an equal numbers of votes, the Chairman shall cast the deciding vote.

The Board of Directors: Structure, Role and Duties, and Independence

The Board of Directors consists of fifteen people, five of whom are independent directors. Of those five, three are members of the Company's Audit Committee. The number of independent directors complies with article 5 of company policy. The Company has defined "independent director" to mean a director of the Company with the following attributes :

1. Owns not more than 0.5% of the total number of shares bearing voting rights in the Company, its associated companies, its affiliates, or other juristic persons with the potential for conflicts of interest (including all related entities as per section 258 of the Securities and Exchange Act.)
2. Has no part to play in management, nor is a hired worker, an employee, or a salaried consultant, or anyone with authority in the Company, its subsidiaries, joint ventures, or other juristic persons with the potential for a conflict of interest. The independent director must not have benefited or derived any gain or loss from the above positions for at least one year prior.
3. Has no business with, and expects no benefits, or interests in relation to the Company, its associated companies, its affiliates, or other juristic persons with the potential for a conflict of interest, either directly or indirectly, financial or administratively.
4. Is not a close relative of any members of management or of major shareholders of the Company, its associated companies, its affiliates, or other juristic persons with the potential for a conflict of interest, and has not been appointed by, or appointed to represent the interests of, a director or major shareholder.
5. Is capable of regularly joining meetings of the Board of Directors to monitor operational results and to provide opinions on which decisions concerning corporate activities may be based.

Of the ten directors who are not independent, one, namely Mr. Win Viriyaprapaikit, the President, occupies management positions as well. Another two directors are representatives from banks, namely Mr. Permpoon Krairiksh and Mr. Nuttawit Boonyawat, representing Siam Commercial Bank Public Co., Ltd. and the Bank of Ayudhya Public Co., Ltd., respectively.

The organizational structure of the Company is such that key positions are divided among various people. Thus Dr. Maruey Phadoongsidhi occupies the post of Chairman of the Board of Directors, Mr. Wit Viriyaprapaikit occupies the post of Chairman of the Board of Executive Directors, and Mr. Win Viriyaprapaikit occupies the position of the President. Each position has clear separate spheres of authority and responsibility, which agree with the Company's Corporate Governance Policy mentioned earlier in item No. 7.

At present, the Company's policy does not specify that the Chairman of the Board of Directors must be an independent director, as this might deprive the Company of people suitable to fill the position. The iron and steel industry requires personnel with specialized skills and experience, in addition to a broad vision and managerial expertise to maximize benefits for the Company, its shareholders and stakeholders.

Responsibilities of the Board of Directors

At a meeting in early 2003, the Board of Directors adopted the first corporate business plan for 2003-2007. This plan explains the Company's vision and mission, determines its goals and strategies, and lays out a strategic map as a framework by which to orient the Company's operations for the next five years. The President, as the chief of management, is responsible to the Board of Directors for ensuring that the Company's operations harmonize with the above-mentioned business plan. In 2006, the Company continued to use the same business plan. However, on August 11, 2006, the Company appointed a Business Plan Working Committee to work on designing a new business plan for the next three years (2007-2009). At the Board of Directors Meeting No.1/2007 on January 24, 2007, the Board of Directors approved the new business plan.

The Company will arrange the Board of Directors Meetings and other committee meetings in advance. Each committee member and the related departments will also be informed about the meeting schedules in advance. The Board of Directors is to meet every three months and may hold special meetings as needed. Each committee member may submit items to be included on the meeting agenda. For a complete agenda, and to make sure only important issues are included, the Chairman of the Board of Directors and the President select agenda items for each Board of Directors Meeting.

The Chief Executives involved attend the Board of Directors and other committee meetings to give additional information on issues directly related to them and to give the Board of Directors a chance to meet with the executives, which can be useful when considering the succession plan.

In 2006, the Board of Directors initiated a self-assessment following the self-assessment guide of the Board of Directors. The Audit Committee also had an annual self-assessment following the Self-Assessment Guide of the Audit Committee. The Audit Committee has conducted the self-assessment since 2000 and annually reports the results to the Board of Directors.

In matters of corporate governance, therefore, the Board of Directors has delegated its responsibilities to four different committees, namely the Board of Executive Directors, the Audit Committee, the Nomination Committee, and the Remuneration Committee, all of which study and sort the matters placed before them according to the scope of their responsibilities as assigned to them at the Board of Directors' meeting, under the good corporate governance. Details concerning the scope of their authority, their duties, and their responsibilities are found in "Shareholding and Management Structure," section (1), "Management." The Company also has a secretary to give legal advice and advice about regulations that are important for the Board of Directors, to give administrative support to the Board of Directors, and to follow-up on the Board of Directors' resolutions.

Board of Directors Meetings

During each Board of Directors Meeting, the Board receives management or follow-up reports on assigned projects, and considers issues that need the Board's approval. To ensure that each committee effectively manages its responsibilities following the Company's Management Policy and Plan, the meetings allow the Board to control and monitor the management team and/or sub-committees. The Secretary of the Board has strictly complied with all requirements regarding meetings, including the sending of invitation letter and accompanying documents 10 days prior to the meeting date as required by the Company's Articles of Association and article 8 of the Company's Corporate Governance Policy mentioned above. In 2006, the Board of Directors met officially five times, once in February, May, August, November and December respectively.

The Board of Executive Directors is required to meet once a month, as well as additional special meetings as needed. The Secretary of the Board of Executive Directors arranges the meetings and the prior delivery of documents as same as the Board of Directors' meeting. During 2006, the Board of Executive Directors met twelve times. The Audit Committee met once in each of these eight months: February, March, May, July, August, September, November, and December respectively to perform their functions independently, within the scope of their duties and responsibilities as assigned by the Board of Directors. The Secretary of the Audit Committee organized the meetings and issued invitations to these meetings in advance, as per the Company's charter regarding the Audit Committee (volume 2).

The Nomination Committee met three times during the year, once in January, February and December. The Remuneration Committee met once in March and once in December. Both Sub-Committees have independent members as the chairpersons of the Committees to ensure transparency and independence in their work. The Committees also optimize the Company's corporate governance and help reduce the work load of the Board of Directors by selecting people suitable for the positions of Director or President, and consider the amount of compensation appropriate for those positions and other senior executive positions, according to the good corporate governance principles. In addition, the Company also held specific meetings for the five independent committee members. In 2006, they met 5 times, once in February, May, August, November, and December, to discuss problems related to the Company's management. If there were any important issues, the independent committee would present them to the Board of Directors Meeting for further consideration.

Board of Directors Meetings

(Attendance of the Board of Directors Meetings in 2006 (No. of Meetings Attended / Total Meetings)

	Name	Board of Directors	Board of Executive Directors	Audit Committee	Nomination Committee	Remuneration Committee	Independent Committee
1	Mr. Maruey Phadoongsidhi Chairman	5/5	11/12				
2	Mr. Wit Viriyaprapaikit Director	5/5	11/12				
3	Mrs. Prapa Viriyaprapaikit Director	2/5					
4	Mr. Somchai Pipitvijitkorn Director	5/5	12/12			2/2	
5	Mr. Taweesak Senanarong Director	5/5				2/2	
6	Mr. Visith Noiphan Independent Director	5/5		8/8	3/3		5/5
7	Mr. Tongchat Hongladaromp Independent Director	4/5					4/5
8	Prof. Kesree Narongdej Independent Director	5/5		8/8			5/5
9	Mr. Tawee Butsuntorn Independent Director	4/5				2/2	4/5
10	Mr. Prateep Buphaintr Independent Director	5/5		8/8	3/3		5/5

(Attendance of the Board of Directors Meetings in 2006 (No. of Meetings Attended / Total Meetings)							
Name		Board of Directors	Board of Executive Directors	Audit Committee	Nomination Committee	Remuneration Committee	Independent Committee
11	Mr. Kamol Juntima Director	5/5			3/3		
12	Mr. Piya Viriyaprapaikit Director	4/5	12/12				
13	Mr. Win Viriyaprapaikit Director	5/5	12/12				
14	Mr. Permpoon Krairiksh Director	3/5	4/12				
15	Mr. Nuttawit Boonyawat Director	2/5	5/12				

Note : Some directors did not attend every Board of Directors meeting, as seen in the table above, due to illness or other business, in which case they provided advance notice. If an absent director had any observation regarding an item on the agenda, it was communicated to the Secretary of the Board of Directors to be transmitted and considered during the meeting. Other than this, every director had some part to play in corporate management. Informal meetings of directors were also arranged to discuss particular matters concerning which knowledge, experience, or ideas would be contributed by which directors, dealing with, for example, issues related to engineering, production, or particular management concerns. Other consultations took place by telephone on a regular basis.

Compensation for Directors and Executives

At the General Annual Meeting of the Shareholders No. 16 on April 5, 2005, the committee had approved the adjustment of the Board of Directors' Remuneration. The Board of Directors and the Company's executives are to be compensated monthly, while other committee members will be compensated for each specific meeting time. The chief executives will be compensated only for their position based on their performance, not for other committee positions. The committees' and chief executives' remuneration was considered according to their responsibilities and the Company's overall performance, and needs to be attractive enough to keep the qualified committee members and executives on board. The Company has compared its remuneration with that of other companies rated 'good' in corporate governance in similar industries. The remuneration adjustment was consistent with the criteria proposed by the Remuneration Committee and was approved by the Board of Directors and at the Meeting of the Shareholders. The detailed information on this adjustment was presented as item No. 3: 2006, Remuneration for the Board of Directors and the Executives, in the Structure of Shareholders and Management.

In 2006, the Company's Board of Directors did not receive bonuses for 2005 since the Company suffered a loss and could not pay any dividend to the shareholders as required by law. Based on the bonus criteria, the Company can only compensate with bonuses to its executives and Board of Directors when it is able to pay dividends to its shareholders. Without dividends to its shareholders, the Board of Directors will not receive any bonus for that year. The Directors' remuneration relies on the shareholders' dividend and indirectly relates to the Company's performance.

Development of Directors and Executives

Corporate policy prescribes for directors and senior executives' regular courses and training to enhance their knowledge and develop their competence, for the constant improvement of the Company's operations. The training and courses can be arranged in house or outside at other institutions. Most of the Company's directors and senior executives receive their training at the Thai Institute of Directors (IOD). Among the courses offered are the Director Certificate Program (DCP), the Audit Committee Program (ACP), the Director Accreditation Program (DAP), and the Corporate Chairman Program. The Company has also established the regulations and policies on Personnel Development. Guidelines for staff training and seminars and reimbursement are also set.

The Chairman of the Board of Directors will show any new directors the Company's nature of business and business operation guidelines. The new directors will also receive several important documents and useful manuals, which explain their responsibilities, such as, The Board of Directors' Manual, the Company's Authorization Manual, and information about the Company, etc. The other executives in the department will also provide related manuals for new executive officers, and will introduce the new executive officer to the Company's nature of business and its operations.

The Company made a special policy and regulation about Human Resource Management (No. 2/2005) in a succession plan to prepare for future manpower. The successors in the key positions will have to meet the assessment and the individual development plan, and must have the abilities indicated for their position in the Company. The successors shall be fully qualified to replace the person that cannot perform the assigned work. The President has already presented the Succession Plan to the Executive Board and the Board of Directors for their acknowledgment.

Business Ethics

The Company established a business creed, a code of business ethics, and a code of ethics for staff in 2000. In 2001, the Company produced Human Resource Management Regulations and Policies concerning Employee Ethics and Procedures for Ethics and Ethical Guidelines. In the same year, the Board of Directors approved a code of ethics for corporate directors. The Company printed the Employee Ethics and Ethical Guidelines and distributed it to all employees. It is to be followed strictly and exists to ensure prosperous and sustainable growth of the Company, its concerned parties, and its personnel. The above information was also published on the Company's web site. The Code of Business Conduct, Code of Ethics for Company Directors, and Code of Ethics for Employees appear as shown below.

Code of Business Conduct

The Company must conduct itself responsibly, transparently, honestly, and with competitive competence while treating each of the following groups fairly :

1. Shareholders and Investors :
   The Company must maintain good operating results to ensure good returns to the shareholders and investors.
2. Customers :
   The Company must provide reasonably priced, high-quality products and services that meet the needs of customers.
3. Business Partners and Creditors :
   The Company must conduct its operations on a basis of fair and mutual support.
4. Competitors :
   The Company must conduct its operations on the basis of fair competition.
5. Employees :
   The Company must offer employees a good standard of living at wages that are competitive with similar jobs in the labor market, with appropriate benefits, with opportunities for career advancement, and in a safe, healthy working environment.

6. The Government :

The Company must work to promote national prosperity and progress, in obedience to the laws of the land and conformity to general business practices.

7. The Community and Society :

The Company must take its share of responsibility for the community and society and consider the impact of its operations on natural resources and the environment.

The Company will aim for the appropriate balance among the needs of these various groups and give them all equal consideration.

Code of Ethics for Company Directors

1. The Company's directors must fulfill their duties in the spirit of the Company's principles of good business conduct and adhere to the code of ethics established by the Company.

2. The Company's directors must fulfill their duties in compliance with the law, the objectives and the Company's Articles of Association, and the resolutions of shareholders' meetings, and with all due honesty, integrity, and care for the interests of the Company.

3. The Company's directors must dedicate sufficient time and knowledge, competence, and managerial skill to the fulfillment of their duties and responsibilities, for the prosperity and stability of the Company and for good returns.

4. The Company's directors must fulfill their duties as a responsibility to the shareholders and with all due concern for the interests of stakeholders, and must treat all groups as fairly and prudently as possible.

5. The Company's directors must not use their position for wrongful gain, must not disclose the Company's secrets to outsiders, must not seek gain for themselves or those related to them by means of information not yet publicly disclosed, and must not do anything that would result in a conflict of interest.

Code of Ethics for Employees

1. Respect for the Organization

Employees must join in strengthening and upholding the honor of the Company in their attitudes and behavior. Good employees demonstrate pride in the Company, defend and maintain its respectability, and help to enhance its public image.

2. Loyalty and Honesty

Employees must act with integrity. They must not seek remuneration or gain from outside, nor use their position in the Company for their own interests or those of their families, relatives, or other people.

3. Diligence

Employees must perform the work, for which they are responsible, with all due care and diligence. They must devote themselves to the work of the Company with all their ability and strive for the success of their work and the greater good of the Company.

4. Discipline

Employees must comply with the Company's policies, regulations, orders, rules, and good corporate culture, and must learn the said policies, regulations, orders, and rules with the clarity needed to practice them correctly.

5. Preserving Secrecy

Employees must keep corporate information confidential and not disclose any of it or use it for personal benefit, either one's own or others', without permission from those in authority. Exempt from this prohibition is information that needs to be disclosed in the normal conduct of business or has already been disclosed to the public.

6. Using and Protecting Corporate Assets

Employees must use and protect the Company's assets for the greatest possible benefit of the Company, not for personal benefit, either one's own or others'. All assets must be maintained in good condition for the sake of their effective, long-term use.

7. Conflicts of Interest

Employees must not engage in any activity that conflicts with the interests of the Company, results in loss or diminishment of benefits for the Company, or seeks to share in the Company's benefit, such as :

7.1. Conducting any business or activity that competes directly or indirectly with the Company's activities.

7.2. Conducting any business or activity that sells goods or services to the Company, accepts contracted work from the Company, or may be considered as representing any person or organization that sells goods or services to the Company or accepts contracted work from the Company.

7.3. Having any financial interest or owning shares or interests in any business competing with the Company or having any type of transaction with the Company, such as clients, sales agents, contractors, or suppliers of goods or services, providing the said interest or share is one which may be affected by any commission or omission of the employee in the employee's normal course of duties in the Company.

8. Accepting Gifts

Employees must not accept abnormally expensive gifts and/or offerings at events or gatherings of any type from those who do business with the Company or anyone who might benefit from their normal course of duties. If such a gift is accepted, only to discover later that its value is considered abnormal, the recipient must inform his/her superior of the fact and await whatever consequences are considered appropriate.

9. Personal Behavior

Employees must conduct themselves in a manner befitting a representative of the Company in terms of behavior, manners, type of dress, character, and attitude. Employees must not behave in ways that devalue themselves or the Company. They must strive to develop their knowledge and abilities in ways that enhance the value of their work and promote the greater prosperity of the Company.

10. Conduct of Superiors and Subordinates

Employees with superior positions must act as leaders and set good examples for those under them in terms of behavior, developing morale, listening to the opinions of their subordinates, and protecting them with all due fairness and reasonableness.

Employees who are subordinate must listen and obey their superiors and conform to the discipline and regulations of the Company. They must not act in a stubborn, aggressive, or hostile manner to their superiors, but rather respect them and observe the appropriateness of time and place.

11. Utilizing Social and Political Rights

Employees are free to engage in social activities, but must avoid activities that are illegal, immoral, inappropriate, unproductive or harmful to society. They must protect their own dignity and ensure that the Company's position in the community and society is not impaired by their actions.

Employees are free to utilize their political rights, such as voting in elections and participating in political parties, but must not do anything to promote the understanding that the Company is involved in or favors any one political party.

In April 2006, the Company reviewed and revised the appointment of the Staff Ethics and Corporate Values Committee and the Staff Ethics and Corporate Values Sub-Committee, which were appointed in 2003, to promote and raise awareness of good ethics and corporate values among staff. The staff ethics and corporate values and publicized and communicated throughout the company. Both committees were renamed to the Staff Ethics and Corporate Values.

Working Sub-Committee and the Staff Ethics and Corporate Values Working Sub-Committee respectively to enable a systemic supervision of the Company's work. These committees organize a variety of ongoing activities to promote good ethics, a sense of importance, employee values, and corporate culture among staff.

Following are activities the committees organized in 2006 :

- Ethics Week during the third week of August. In 2006, there were merit making activities for both the Board of Directors and the staff before starting the main events, which were:
  - Fun and games such as singing ethical songs, ethical slogans, poetry and essay contests, black box games, ethics pairing games, and an ethics quiz contest via telephones. Prizes were presented by the Company's executives.
  - A vote for SSI's most ethical employee who received a certificate of acknowledgment and a plaque.
  - Broadcast of ethical information through the Company's radio and e-mail, signs posted with the Company's values and ethics, and bulletin boards with ethics and values information.
  - A morning talk to all staff before working hours about ethics in addition to information about work safety during Ethics Week.
  - Souvenirs such as yellow T-shirts and yellow wrist bands for staff with the phrase "Ethics SSI for the King" and with the Company's ethics logo.
  - A pop up Display on computer screens in August and ethics songs on the radio throughout August and also during other months.

- Two in-house training sessions titled Buddhist Ethics for Executives, which were organized by the Staff and Administrative Development and Training Department.

Conflict of Interest

The operations of the Company rely on the support of related companies in many ways. The most important of these are channels of distribution, land and sea transportation, and repair and maintenance of plant machinery. For this reason, related parties and related transactions take place in the context and under the conditions of normal business and common trade.

In 2004, the Company established rules for awarding discounts as a means of remaining competitive, increasing sales and market share, and rewarding customers who are loyal in their purchase of the Company's hot-rolled coils. The Company also laid down rules and procedures governing the extension of commercial credit in order to minimize the risk implicit in offering credit, and ensure that the rules and procedures are carried out systematically and effectively, as well as to maintain high levels of transparency and clarity in operational management, to positively reflect the Company's business practices. The Company appointed the Credit Committee in August 2006 to analyze and refine credit lines and trade loans appropriate for each client by looking at the clients' needs and solvency, and to set the conditions and collaterals to avoid or reduce any potential risks for the Company. The committee also reevaluates each client's credit extension when necessary.

The Board of Directors is assured that related parties and related transactions between the Company and other entities or persons are conducted under the conditions of normal business and common trade. The management itself has submitted to the Audit Committee and the Board of Directors, for their consideration, matters they believe have the potential for a conflict of interest. Since the first quarter of 2004, management has reported the sales and sale prices of the Company's products to the Audit Committee during their meetings, on a quarterly basis. Besides this, when any potential conflict of interest transaction is discussed by the Board of Directors, all directors with interest in that transaction must not participate in the discussion, and must absent themselves while that item on the agenda is under deliberation.

The Company has adopted the Conflict of Interest Guidelines for the Board of Directors and all staff, and has invited Professor Hiran Radeesri, the lead advisor of the SET's Institute of Internal Auditors of Thailand, to educate and provide consultation to the Board of Directors on this issue in the beginning of 2007.

Systems of Internal Controls and Internal Auditing

The Board of Directors recognizes the importance of assessing the effectiveness of the Company's system of internal controls. Because of this, one may have confidence in the Company's financial reports and the accuracy, completeness, timeliness, and credibility of information needed in decision-making, and know that the Company has strictly observed all laws relating to the Company's operations and the Company's own policies. Internal controls are also needed to safeguard the Company's assets, and ensure careful and rational spending. To audit these internal matters, the Company established an Office of Internal Audit in 1998. The Office's scope of responsibility was later widened to include the Company's subsidiaries, namely West Coast Engineering Co., Ltd. and Prachuap Port Co., Ltd. The Office of Internal Audit began auditing West Coast Engineering's operational systems in 2001 and Prachuap Port's in 2004.

The Office of Internal Audit directly reports on its findings to the Company's director who is assigned by the Board of Executive Directors and is neither an independent director, nor a director who is a senior executive. Audit plans are submitted for approval to the Audit Committee Executive Directors. In addition, the Office of Internal Audit reports on its audit results and recommendations to the Audit Committee and the Board of Executive Directors. The Office of Internal Audit is independent, and receives full support from the Board of Directors.

The Company has announced its Risk Management and Internal Control Policy and established the Risk Management Committee and the Crisis Management Committee in 2004 to cooperate in managing risk and ensure that the Company's risk management practices are effective. The Company aims to establish an integrated risk management system that will protect the Company's continued operations and sustainable growth. In April 2006, to better facilitate and better organize the Company's procedures, the names of the two committees were changed to the Risk Management Working Committee and the Crisis Management Working Committee respectively.

Disclosure of Company Information and Relations with Investors

The Board of Directors recognizes the need for disclosure of significant information about the Company to investors, and that such information must be accurate, complete, and timely. The Company also recognizes the need for shareholders to have equal access to corporate information, since such information has a major impact on the price of Company shares on the SET. The Board has clearly declared its commitment to these ideals in articles 1 and 14 of the corporate governance policy mentioned earlier.

The Company made changes to its organizational structure to permit the formation of a unit directly responsible for disclosing corporate information to investors and as a main contact in communication with investors, shareholders and securities analysts. This Investor Relations Office came into being with another similar unit responsible for contacts with mass media and the general public, called the Public Relations Office.

The unit responsible for providing corporate information to the SET and the SEC is the Office of the Secretary of the Board of Directors. In 2006, among the means and activities chosen to divulge information about the Company to various parties were the following:

1. Investor Relations Office

- Published the Company's financial and non-financial information, corporate governance policy, business conduct philosophy, and company's ethics both in Thai and English on its website, www.ssi-steel.com. The website also gives investors equal access to updated corporate information.

- Arranged for better communication between investors, shareholders and the Company. Investors and shareholders can ask the executives questions or request more information from the Company through the e-mail address pr-ir@ssi-steel.com. They can also register to receive e-mail updates through the Company's web site.
- Organized analyst meetings on a quarterly basis to announce operating results and organized a way to announce the financial statement of the Company on the workday following the disclosure of the Company's un-audited financial statements to the SET. A quarterly update was also provided to those attending each meeting.
- Arranged 17 one-on-one meetings between some of the following: Thai and foreign institutional investors, stock analysts and senior executives.
- Facilitated the participation of senior executives in three corporate road shows, allowing them to meet Thai and foreign institutional investors and present information about the Company.
  - The first was held during May 15-17, 2006 at the offices of institutional investors in Thailand.
  - The second was held during July 18-19, 2006 at the offices of institutional investors in Singapore and Hong Kong.
  - The third was held on December 15, 2006 at the offices of TISCO Public Company Limited, organized by TISCO Public Company Limited, entitled "TISCO Top Stock Picks One-on-One Conference"

2. Public Relations Office

- Prepared quarterly news releases for the mass media concerning the Company's financial statement and operating results on the work day following disclosure of the Company's financial statements, before auditing by a certified auditor, to the SET.
- Issued press releases and photo releases regarding corporate activities to reporters, so that information about the Company might reach investors and the general public from time to time.
- Set up interviews with corporate executives when so requested by the mass media, to foster understanding and/or promote accurate knowledge of the Company.
- Arranged for publication of information and articles about the Company through various media including newspapers, annual reports, and company profiles or brochures about the Company.
- Participated, with a booth, in exhibitions to disseminate information to the general public and/or to target groups.
- Offered and produced special and electronic media, such as videos and the corporate website, http://www.ssi-steel.com.
- Answered comments, questions, and requests for additional corporate information via e-mail, at pr-ir@ssi-steel.com.

3. Office of the Secretary of the Board of Directors

- Disclosed information necessary for investors to make decisions, according to the rules laid down by the SET and SEC, particularly data of quarterly and annual reports about the Company's financial statement and operating results, to the SET and SEC, both the un-audited report and the audited report reviewed by a certified and authorized auditor.
- Sent the 2005 Annual Report (Form 56-2) to the Company's shareholders, along with a notice of meeting for the Annual General Meeting of Shareholders, and informed the SET and the SEC of the same, to be held no later than 110 days from the end of the previous accounting period.
- Released the 2005 Annual Disclosure of Information Form (Form 56-1) to the SET and SEC no later than three months from the end of the previous accounting period.

Supervising the Use of Inside Information

The Company's Board of Directors strictly observes the enforcement of the Securities and Exchange Act of 1992. The measures to prevent any unfair trading of the Company's stock have been established and maintained constantly since 2000. The gist of the development steps are presented as follows:

Main Initial Steps

• In 2000, the Company established a code of ethics for employees that included sections on keeping corporate secrets, and publicized the following statement: "Employees must guard the confidentiality of all corporate information and avoid disclosing any news or inside information that should not be disclosed. They must not use such information for their own or others' gain, nor divulge any information that has not yet been authorized for disclosure, except matters relating to ordinary operations of the Company or information that has already been disclosed to the public."

• In 2001, at a Board of Directors meeting, approval was given to a part of the code of ethics that has to do with seeking gain wrongfully and protecting corporate secrets, as follows:

"The Company's directors must not use their position for wrongful gain, must not disclose the Company's secrets to outsiders, must not seek gain for themselves or those related to them by means of information not yet publicly disclosed, and must not do anything that would result in a conflict of interest."

• In 2002, the Board of Directors, in one of its meetings, established a policy of good corporate governance for the Company, in accordance with principles laid down by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), for such matters as the rights of shareholders, disclosure of information, and relations with investors, as follows:

"The Board of Directors is well aware of its responsibility to protect the interests of shareholders, to treat them equally, and to provide each of them equal access to corporate information." and

"The Board of Directors shall regulate the Company's affairs in such a way that investors may be convinced of the full, prompt, and accurate disclosure of all significant information regarding the Company."

• In 2003, the Company appointed the Staff Ethics and Corporate Values Committee (later known as the Staff Ethics and Corporate Values Working Sub-Committee) to establish methods and guidelines as well as measures to promote ethics and corporate values among employees. The awareness of compliance with these ethics and values was raised via various campaigns taken place at the Company's Bangkok office and its plant at Bang Saphan, Prachuap Khirikhan Province. The aim is to make them part of the corporate culture. The same campaigns initiated in 2003 have continued until today at both locations.

State of Affairs

• During every meeting of the Board of Directors, a report is made detailing the Company's shares held by all directors and executives of the Company, no matter whether changes in their ownership have taken place or not. If any change does take place, no matter how large or small, the company or executive involved must report his or her shareholdings in Form 59-2 and report the same to the SEC, according to the SEC principles.

• Sensitive information about the Company, before it is disclosed to the SET, must be restricted to a limited number of employees and executives on a need-to-know basis only. Such information must be released to the SET immediately after it has been so resolved by a meeting of the Board of Directors.

• The Company has assigned people directly responsible for the release of information or important news about the Company to various media, or for disclosure of authentic data to the SET, to ensure clarity and avoid discrepancies information.

• Important information about the Company must be disclosed officially to the SET before it is released to any other media so that all investors have equal access to such information, with no one investor having any advantage over any other in this regard.

• Such information should be disclosed in a timely manner. Directors and employees of the Company who are considered an insider must be careful how they use it. They should abstain from purchasing the Company's shares before the Company discloses its information to the SET, and remember to report their shareholdings if they are directors or executives.

• In the beginning of 2006, the SET's manual, "Advice on Providing Information of Listed Companies Executives," was distributed by corporate e-mail to inform all directors and executives of their proper role in releasing information, the procedures and methods they should follow, and how to manage corporate information.

Ongoing Development

• The Company studied and developed a draft of Guideline on Securing and Preventing the Use of Inside Information. Early in 2007, Professor Hiran Radeesri, Chairman of Advisor Group, SET's Corporate Governance Center, was invited as a guest speaker to extend knowledge and give consultation to the Company's management.

Internal Controls



The Board of Directors of Sahaviriya Steel Industries Public Co., Ltd. recognizes the importance of having a good and effective system of internal controls that can help prevent losses and reduce operational risks. To accomplish the goals mentioned in the Company's vision and mission statements, an Office of Internal Audit was set up in 1998 to audit and review the Company's system of internal controls, and those of its subsidiaries, namely:

- West Coast Engineering Co., Ltd.
- Prachuap Port Co., Ltd.

In addition, the Audit Committee was appointed by the Board of Directors to ensure the appropriateness and efficiency of the Company's internal control and internal audit systems.

The Office of Internal Audit has studied the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA). These standards provide an internationally recognized framework, and are used as operation guidelines, where appropriate, in the Office. Areas of audit encompass the financial, accounting, operational, management, and compliance to laws and regulations of government agencies and especially the supervisory agencies, as well as maintain the security of its information systems. The Office reports on its findings regarding the internal control of the work systems, makes recommendations, and reports on any improvement and correction that it may have observed in the audited departments or units to the Audit Committee, the Board of Executive Directors, and the Company's management, for their further consideration and action as appropriate.

The Audit Committee and the Office of Internal Audits adhere to the Internal Control Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework mentions five elements of internal controls as follows:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information & Communication
5. Monitoring & Evaluation



Since 2000, the Company, in a meeting of the Audit Committee, has assessed the adequacy of its system of internal controls by means of a form designed for that purpose by the Securities and Exchange Commission. The comments of the results of that assessment have been submitted annually to the Board of Directors. From 2005 onwards, the Company's management by the Financial and Accounting Division together with the Office of Internal Audit undertook self-assessments following the two forms of the Company's external auditor: the Financial Internal Control Self-Assessment Questionnaire and the Risk Factors Relating to Misstatements Arising from Fraudulent Financial Reporting or Misappropriation of Assets, to verify the adequacy of the company's financial and accounting internal control system. Finally the findings were presented to the Audit Committee for their acknowledgement.

Furthermore, in 2006 the Company's management by the Finance and Accounting Division together with the Office of Internal Audit performed an additional self-assessment according to the external auditor's form which adhered to the Internal Control Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for assessing the internal controls at the Company's entity-level. The results are as follows:

Control Environment

• Tone at the Top: In 2006, the management, especially the President repeatedly spoke, via the company's internal journals, to their employees about the Company's business direction, the Company's ethical guidelines and corporate values in order to achieve strong and sustained business growth. Moreover, the Company aims to set a good example of governance in the workplace for Thai society.

• Ethics and code of Good Conducts: In 2006, the second publication of the Ethical Guidelines was released which include the company's code of business creed, business ethics, directors and employees' ethics and corporate values. It was distributed to all directors and employees for their acknowledgement and compliance and to provide support via well-functioning mechanisms. A Staff Ethics and Corporate Values Sub-Committee and a Staff Ethics and Corporate Values Public Relations - Working Sub-Committee work together to communicate these matters to everyone throughout the organization. From 2003 to the present, both bodies have been organizing activities to promote awareness, among employees, with regards to the importance of complying with the Company's ethical guidelines and to instill the corporate values in the organization's corporate culture.



Risk Assessment

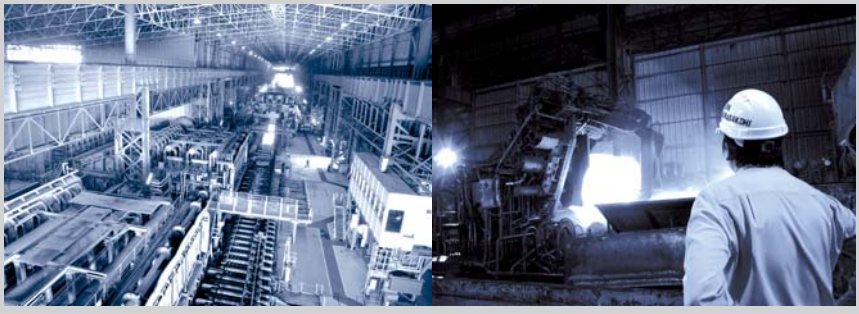
• The Risk Management Committee and the Risk Management Sub-Committee were appointed by the Company's management as essential devices to ensure systematic and effective Risk Management. The owners of risk responsibility, in each division, assess and analyze the risk, establish guidelines for Risk Management, and systemically monitor their results. The results must be reported to the Board of Executive Directors and the Audit Committee on a quarterly basis for their acknowledgement. Refer to the Risk Management section for details.

Control Activities

• The systems, policies, and procedures of the Company have been clearly defined to serve as guidelines for what the Company considers correct and appropriate. The Company has also produced an Authorization Chart manual that clearly specifies in writing the authority granted to the Board of Directors, the Board of Executive Directors, and each level of Management in order to generate systems of control for the exercise of corporate authority and to serve as material for reference and investigation. This manual is, moreover, reviewed from time to time to ensure that delegation of authority in management is well-suited and flexible enough to practice.

• The Company has also established a mechanism for ensuring strict compliance with the law. All legislation pertaining to the Company's business has been compiled in a database, and one person has been assigned the task of updating this database and ensuring its completeness and accuracy at all times. A system of monitoring compliance has, furthermore, been set up, requiring each department to report on its adherence to the law on a quarterly basis.

• The Company has mandated compliance with the management systems which meet international standards, namely: ISO 9001:2000 Quality Management System Standards, ISO 14001:2004 Environmental Management System Standards, TIS 18001 Occupational Health and Safety Management System Standards, and ISO/IEC 17025: 1999 Laboratory Accreditation Standards, and received certification for all of these standards. The Company has also been certified for Japanese Industrial Standards (JIS Mark) for hot-rolled products. In 2006, the Company was also certified ISO/TS 16949: 2002, an automotive quality systems standard within the global automotive industry.



Information & Communication

• In 2005, the Enterprise Resource Planning (ERP) System was set up and implemented at the Company to accelerate the efficiency of the company's management, planning and resource management systems. An efficient ERP system makes it possible to immediately recognize circumstances and work-related issues to allow for a timely decision. The Financial and Accounting System, the Procurement System, the Production Planning System, the Sales and Distribution System, as well as the Human Resource Management System were incorporated under the ERP umbrella.

• In 2006, the work system and the telecommunications and information technology system were developed to better support the company's operation and enhance its work management by:

- Further improving the ERP System.
- Setting up and implementing the Barcode System for tracking warehouse inventory movement.
- Improving the Company's Intranet System and organizing video conferences between the Bangkok Office and the Bang Saphan Plant so that information regarding work can be shared among the employees and management.
- Developing the Management Information System (MIS) which supplies management with required decision making information.

Monitoring & Evaluating

• The monthly performance report from each division must be presented at the Management Meeting.

• A performance assessment and its report must be prepared. The Board of Executive directors were assigned to evaluate the monthly performance against targets set. In case of any significant impact, a solution can be made by the management immediately.

• The Audit committee periodically prepares a summary report on its performance to be submitted to the Board of Directors for acknowledgement.

Related Transactions

Related Parties	Relationship	2006 Related Transactions	Million Baht	Outstanding Balances	Million Baht
Thai Coated Steel Sheet Co., Ltd.	A juristic person whose shareholdings by SSI is 3.7% and the common directorship is shared by SSI's director(s)	Provide deep sea port service	3.90	Trade accounts receivable	0.78
		Provide maintenance service	0.14	Other accounts receivable	1.32
		Sell spare parts and equipment	0.004	Accrued income	6.20
		Other income	0.097		
Thai Cold Rolled Steel Sheet Public Co., Ltd.	A juristic person whose shareholdings by SSI is 8.77% and the common directorship is shared by the director(s) of SSI's subsidiary	Sell hot rolled coils	2,729.49	Trade accounts receivable	8.49
		Sell spare parts and equipment	0.065	Other accounts receivable	2.68
		Provide deep sea port service	40.35	Accrued income	1.12
		Provide maintenance service	11.03		
		Other income	0.35		
Bangsaphan Transport Co., Ltd.	A juristic person whose common directorship is shared by SSI's director(s) and the aggregated direct and indirect shareholdings by SSI's director(s) exceeds 10%	Use inland transportation service	0.89	Trade accounts payable	0.04
		Other income	0.001	Accrued expense	0.76
Bangsaphan Barmill Public Co., Ltd.	A juristic person whose common directorship is shared by SSI's director(s) and the aggregated direct and indirect shareholdings by SSI's director(s) exceeds 10%	Provide deep sea port service	13.80	Trade accounts receivable	0.69
		Provide maintenance service	0.004	Other accounts receivable	0.02
				Accrued income	6.28
B.S. Metal Co., Ltd.	A juristic person whose common directorship is shared by SSI's director(s) and the aggregated direct and indirect shareholdings by SSI's director(s) exceeds 10%	Sell hot rolled coils and steel scrap	5,998.46	Trade accounts receivable	3,597.66
		Provide deep sea port service/harbour	1.39	Other accounts receivable	0.015
		Sell spare parts and equipment	0.019	Accrued income	0.38
		Provide maintenance service	0.015	Trade accounts payable	0.83
		Other income	0.0008		
		Use steel-cutting service	20.62		
Sahaviriya Plate Mill Co., Ltd.	A juristic person whose common directorship is shared by SSI's director(s) and the aggregated direct and indirect shareholding by SSI's director(s) exceeds 10%	Sell steel bar	83.58		
Prapawit Building Property Co., Ltd. (The former name is Prapawit Co., Ltd.)	A juristic person whose common directorship is shared by SSI's director(s) and the aggregated shareholding by SSI's director(s) exceeds 10%	Lease head office space	13.67	Deposit	6.95
				Trade accounts payable	0.009
				Other accounts payable	0.025
				Accrued expense	0.19
Western Housing Co., Ltd.	A juristic person whose common directorship is shared by SSI's director(s) and the aggregated shareholding by SSI's director(s) exceeds 10%	Use accommodations	2.53	Trade accounts payable	0.065
				Other accounts payable	0.027
				Accrued expense	0.042
Sahaviriya Steel Group Co., Ltd.	A juristic person whose common directorship is shared by SSI's director(s) and the aggregated direct and indirect shareholding by SSI's director(s) exceeds 10%	Use internet and hotline services	0.65	Other accounts payable	0.04

Related Parties	Relationship	2006 Related Transactions	Million Baht	Outstanding Balances	Million Baht
C.A.R. Services Co., Ltd.	A juristic person whose aggregated direct and indirect shareholding by SSI's director(s) exceeds 10%	Provide deep sea port service Use inland transportation service	0.004 62.95	Trade accounts payable Accrued expense	1.92 6.19
Sahaviriya Panich International Co., Ltd.	A juristic person whose common directorship is shared by SSI's director(s) and the aggregated shareholding by SSI's director(s) exceeds 10%	Sell hot rolled coils Provide deep sea port service Purchase structural steel Revenue from sales commission	5,322.34 0.41 1.75 29.81	Trade accounts receivable Accrued expense	14.89 3.70
Line Transport Co., Ltd.	A juristic person whose common directorship is shared by director(s) of SSI's subsidiary and the aggregated direct and indirect shareholding by SSI's director(s) exceeds 10%	Provide deep sea port service Maintenance service income Other income Use short-distance truck transportation service	4.46 0.08 0.47 257.20	Trade accounts receivable Other accounts receivable Trade accounts payable Accrued expense	0.63 0.41 5.22 6.27
Bangpakong Lighter Co., Ltd.	A juristic person whose common directorship is shared by SSI's director(s) and the aggregated direct and indirect shareholding by SSI's director(s) exceeds 10%	Provide deep sea port service Maintenance service income Other income Use vessel transportation services	1.05 0.005 0.26 185.83	Trade accounts receivable Other accounts receivable Accrued expense	0.086 0.068 4.61
Sahaviriya Transport Holdings Co., Ltd.	A juristic person whose common directorship is shared by SSI's director(s) and the aggregated shareholding by SSI's director(s) exceeds 10%	Investor		Accrued Dividends	87.50

* Related transactions as a related party had ended in the third quarter of 2006.

The auditor's opinion on related transactions between the Company and related parties is stated in Note 22 to the financial statements.

Necessity and Reasonability of Related Transactions

Transactions with related companies are transactions in the ordinary course of business having terms and conditions which are considered the most beneficial to the Company. The Company has a policy to sell to related companies at prices, terms and conditions normally applicable to transactions with third parties.

Approval Policy for Related Transactions

The President is authorized by the Board of Directors to approve transactions between the Company and related companies or related parties under the ordinary course of business and under trading conditions that comply with the Securities and Exchange laws, the regulations, announcements, directions, or provisions of the Stock Exchange of Thailand as well as the provisions of related transaction disclosure and the acquisition or disposal of corporate assets of the Company and its subsidiaries, stipulated by the Federation of Accounting Professions under the Royal Patronage of Majesty the King.

Any transaction with related companies or related parties of the Company or its subsidiaries shall be reported at the Board of Directors' meeting and determined by the audit committee whether the matter is necessary and appropriate. A director who is involved in the transaction cannot vote on such matters. In case the audit committee has no experience in examining a related transaction, an independent expert or the Company's auditor shall express an opinion on such transactions to be used as a component of a decision of the Board of Directors or the shareholders correspondingly. In addition, the related transactions shall be stated in the note to the financial statements examined by the Company's auditor.

Future Related Transactions

Related transactions are subject to change in the future depending on demand and supply as well as the company's selling prices and the cost of the service providers.

Operational Results

Total Revenue and Income from Sales and Services

In 2006 total revenues of the Company and its subsidiaries were 35,909 million Baht comprising of 34,602 million Baht sales of hot-rolled steel sheet in coils, 603 million Baht sales of steel scrap, 216 million Baht income from services of subsidiaries, 361 million Baht gain on exchange and 127 million Baht other income. Sales of hot-rolled steel sheet in coils consisted of 77% domestic sales and 23% export sales, of which high grade products accounted for 53% and commercial grade products 47%. While in 2005 total revenues were 36,427 million Baht comprising of 35,336 million Baht sales of hot-rolled steel sheet in coils, 675 million Baht sales of steel scrap metal, 277 million Baht income from services of subsidiaries, 52 million Baht gain on exchange and 87 million Baht other income. Sales of hot-rolled steel sheet in coils consisted of domestic sales 82% and export sales 18%, of which high grade products accounted for 41% and commercial grade products 59%.

In 2006, sales of hot-rolled steel sheet in coils decline of 2% compared to 2005 was caused by a 12% reduction of the average selling price of hot rolled steel sheet in coils.

The total revenues from the Company's two subsidiaries: Prachuap Port Co., Ltd. And West Coast Engineering Co., Ltd., amounted to 715 million Baht included 499 million Baht of related party transactions. This compared with income from services of 815 million Baht in 2005, which included 539 million Baht of related party transactions. This 12% revenue decrease was due to a reduction in raw materials import.

The Company remained the equity method for the investment transaction. In 2006 the company realized profit from investment of 125 million Baht, compared with 95 million Baht in 2005.

Cost of Sales and services

In 2006, the Company's cost of sales amounted to 32,781 million Baht, or 93% of sales of hot-rolled steel sheet in coils and scrap metal while in 2005, the Company's cost of sales amounted to 33,278 million Baht, or 92% of sales of hot-rolled steel sheet in coils and scrap metal.

Also in 2006, the Company's subsidiaries recorded cost of sales and services 421 million Baht, or 59% of their income from sales and services to the Company, other group companies, and outside clients. In 2005, the Company's subsidiaries recorded 356 million Baht sales and services cost, or 44% of their income from sales and services to the Company, other group companies, and outside clients. This 18% cost increase is due to the hiring of more personnel and the investment in machinery and equipment to respond to the business expansion.

The major cost of sales for hot-rolled steel sheet in coils was slab costs, which accounted for 85-90% of the total cost of sales. After that was conversion costs, such as the cost of fuel, electricity, parts, supplies, and the rest was depreciation.

The Company continued to implement cost-saving measures, both direct and indirect, to reduce production costs, and also studied how production could be made more efficient in terms of output per working hour and quality of output.

Gross Profit

In 2006, the Company's gross profit amounted to 2,424 million Baht, or 7% of the total sales of hot-rolled steel sheets in coil and scrap metal. In 2005, the Company's gross profit amounted to 2,733 million Baht, or 8% of the total sales of hot-rolled steel sheets in coil and scrap metal.

The Company's subsidiaries gross profit amounted to 294 million Baht, or 41% of the total income from sales and services to Company, other group companies, and outside clients. In 2005, the Company's subsidiaries gross profit amounted to 459 million Baht, or 56% of the total income from sales and services to Company, other group companies and outside clients.

Expenses

Most of selling expenses varied with the volume of sales, and consisted mainly of freight and transportation expenses. In 2006, the total selling expenses of the Company and its subsidiaries amount to 650 million Baht, up 20% from the previous year, due to 11% more sales volume than in 2005.

Administrative expenses amounted to 354 million Baht, down 15 % from the previous year due to less legal expenses in the antidumping and countervailing investigations.

The Company recorded a reversal of loss on diminution in value of inventories amounted to 2,245 million Baht, while in 2005 The Company recorded loss on diminution in value of inventories of 2,662 million Baht.

Interest Expenses

The Company's and its subsidiaries' interest expenses were 1,663 million Baht up 69% from 985 million Baht in 2005. This increase was because that the interest rates on the short-term loans and some of the long-term loans were floating rates, and the Bank of Thailand continued to increase the interest rates throughout 2006.

Net Profit or Loss

In 2006, the Company earned a net profit of 2,690 million Baht, of which 445 million Baht came from operational profit, and 2,245 million Baht reversal of loss on diminution in value of inventories, which was set as provision in 2005. In 2005, the Company suffered a net loss of 1,536 million Baht due to a provision of loss on diminution in value of inventories 2,662 million Baht.

The Company and its subsidiaries realized earnings per share of 0.21 Baht, a net profit margin of 8%, an average return on asset of 6% and an average return on equity of 15%.

Return on Equity

In 2006, the Company's both subsidiaries (Prachuap Port Co., Ltd and West Coast Engineering Co., Ltd) paid interim dividends at the rate of 5.00 Baht per share and 7.00 Baht per share, equal to 200 million Baht and 52.5 million Baht respectively. Net profit of that period was set for a legal reserve in the amount of 14 million Baht and 7.5 million Baht, respectively.

Financial Status

Assets

Proportion of assets owned by the Company and its subsidiaries;

Description	2006	2005	2004
Accounts Receivable	9%	6%	7%
Inventories	40%	48%	32%
Land, Buildings, Machinery and Equipment	46%	41%	55%
Others	5%	5%	6%
Total Assets	100%	100%	100%

As of December 31, 2006 the total net accounts receivable of the Company and its subsidiaries amounted to 3,978 million Baht, up 23% from the end of last year. The increase was due to a slow down of the industries directly related to the Company business. As a result some accounts receivable were unable to repay on time. The Company monitors such debts closely and continually, resulting in no effect to the Company. The Company's provision for doubtful debts, namely accounts overdue by more than six months, was 284 million Baht as of December 31, 2006, the same amount as in the previous year.

As of December 31, 2006, the Company and its subsidiaries' raw materials and finished goods inventories were amounted to 17, 732 million Baht, down 28% compared to a 2005 year-end balance. The 37% decrease was achieved by implementing an efficient inventory policy, which was adjusting to the demands of the domestic market, and by focusing on increasing export.

In 2006, the Company's both subsidiaries (Prachuap Port Co., Ltd and West Coast Engineering Co., Ltd) paid interim dividends at the rate of 5.00 Baht per share and 7.00 Baht per share, The Company realized this dividend receipt by reducing the investments according to equity method.

The Subsidiary, Prachuap Port Co., Ltd. started the port expansion project in 2004. It was finished and ready for services at the end of 2006; with the 2006 capital expenditure amounted to 144 million Baht.

As of December 31, 2006, the assets of the Company and its subsidiaries decreased 6,694 million Baht, compared with the assets on December 31, 2005. The decrease was due to the reasons mentioned above.

Liabilities and Source of Fund

The Company and its subsidiaries' ratio of liabilities and equity are as follows:

Description	2006	2005	2004
Short-term loan and trade financing facilities	28%	38%	2%
Accounts Payable	5%	5%	8%
Long-term loans	16%	15%	23%
Debentures	4%	5%	9%
Other liabilities	2%	3%	3%
Shareholders' Equity	45%	34%	55%
Total Liabilities and Shareholders' Equity	100%	100%	100%

The Company has short-term trade financing facilities from financial institutions for the total amount of 25,770 million Baht and 45 million US dollars, all of which have 6 month terms, interest at money market rate and is pledged by the Company's raw materials and finished goods. The short-term and long-term lending financial institutions are secured for additional by land, buildings, and machinery in the second rank of mortgage, and the assignment of insurance proceeds to the lenders. The Company has the credit amount of 5,000 million Baht to issue unsecured bill of exchange with 9 months term interest at market rate. As of December 31, 2006, the Company and its subsidiaries had obligations to banks regarding the outstanding of a letters of credit amounting to 1.50 million US dollars and 0.35 million Euros, short-term loans and trade financing facilities of 10,556 million Baht, and bill of exchange amounting to 2,010 million Baht at the interest rate of 6-7%. The short-term loans decreased 36% compared with the amount on December 31, 2005. These short-term loans were mainly used to finance the inventory of raw materials and finished goods; therefore, when the inventory decreased, the short term loans also decreased at the same level.

The long-term loans, debenture and long-term finance leases of the Company and its subsidiaries amounted to 9,203 million Baht, 4,000 million Baht, and 544 million Baht, respectively, which have 3-10 years term with MLR floating interest rates. Long-term loans and debenture are secured by the second-ranked mortgage of land, buildings and machinery, and the assignments of insurance proceeds to the lenders, and the short-term and long-term lending financial institutions are secured for additional by the second-ranked pledge of raw materials and finished goods inventories owned by Company. The loan agreement contains certain covenants regarding the operations, financial ratios and financial position, the investment in PPC at least 51% of the issued and paid-up capital, and the prohibition of dividend distribution

more than 60% of its annual net profit, as well as the prohibition of pledge or indebtedness of investment common shares. As of December 31, 2006, the long-term loan, debenture and long-term finance leases of the Company amounted to 7,077 million Baht, 1,810 million Baht and 494 million Baht, respectively, down 14% from the end of last year following the installment repayments to the financial institutions, the institutional investors and the lenders.

(Detailed information about short-term and long-term loans was reported in the Notes to Financial Statement, No. 11-14.)

From the past few years the Company used long-term loans to fund investments in land, buildings, machinery and equipment. At present, the Company's accumulated operational profit increased, so the shareholders' equity was utilized to fund the investments in land, buildings, machinery and equipment, and part of the long-term loans was utilized to fund inventories, which are normally maintained at about 3-5 months level.

As of December 31, 2006, the Company and its subsidiaries presented the shareholders' equity of 20,027 million Baht, up 14% compared with that as of December 31, 2005 resulting from the net profit of 2,690 million Baht (as mentioned earlier in the Operational Results). The Company set aside a legal reserve in the amount of 134 million Baht, which was 5% of the net profit. The assets appraisal of the Company and its subsidiaries amounted to 4,955 million Baht, down from 2005. This corresponded with the use of land, buildings, machinery and equipment.

As of December 31, 2006, the Company and its subsidiaries presented the debt to equity ratio of 1.28 times, down from 2 times at of December 31, 2005. This was due to the decrease in debts and the increase in operational profit as mentioned above.

Liquidity

1.Cash Flow

In 2006, the Company and its subsidiaries presented net cash provided from operations before interest of 2,808 million Baht. Cash interest paid, amounted to 1,736 million Baht, while net cash provided from changes in operating assets and operating liabilities amounted to 8,091 million Baht. These amounts were due to decrease in raw materials inventories, The Company and its subsidiaries incurred net cash flows from operating activities of 9,164 million Baht. The Company and its subsidiaries presented net cash used in investing activities amount to 541 million Baht, mainly in expanding the deep-sea port as mentioned above. With respect to financing activities, the Company and its subsidiaries presented net cash flows used in financing activities of 8,722 million Baht, mainly to repay the short-term loans, short-term trade financing facilities and long-term loans. On December 31, 2006, cash and cash equivalents of the Company and its subsidiaries amounted to 122 million Baht, down 100 million Baht from the previous year.

2. Liquidity Ratios

From the above analysis, the liquidity ratios of the Company and its subsidiaries were as follows:

	2006	2005	2004
Average working capital ratio	1.37	1.22	2.47
Average collection days	40	33	29
Average sales turnover days	104	93	40

Share Prices

During 2006, the SSI share price reached its lowest level at 0.85 Baht per share on December 19, 2006, and peaked at 1.46 Baht per share on May 10, 2006. The average trading volume was 28.3 million shares per day, with an average value of 35.0 million Baht per day. The average share price for the year was 1.23 Baht per share. On December 29, 2006, the SSI share price closed at 1.05 Baht per share.

Report of the Nomination Committee

To the Board of Directors of Sahaviriya Steel Industries Public Company Limited :

1. At a meeting of the Board of Directors on November 24, 2004, it was resolved that a Nomination Committee be appointed to select people suitable for nomination as directors of the Company, or as the President, and submit their names to the Board of Directors or a meeting of shareholders, as the case might be, for consideration. Their term in office is from November 24, 2004 to November 23, 2007. The Nomination Committee consists of at least three company directors and at least one independent director. The Corporate Secretary acts as the Secretary to the Nomination Committee.

The Committee's members are as follows :

1.	Mr. Visith	Noiphan	Chairman of the Nomination Committee
2.	Mr. Kamol	Juntima	Nomination Committee Member
3.	Mr. Prateep	Buphaintr	Nomination Committee Member
4.	Mr. Surasak	Ngamsidhiphongsa	Secretary to the Nomination Committee

The Nomination Committee performed the duties assigned to it by the Board of Directors. In 2006, the Committee had three meetings, and was informed therein of the Company's administrative structure and the names of those directors whose terms of office would expire and who would be eligible for re-election at the next Annual General Meeting of Shareholders. At these meetings, the Committee was also able to exchange important knowledge and experience regarding the nomination and appointment of directors, and the findings of the Corporate Governance Report of Thai Listed Companies 2006 pertaining to Sahaviriya Steel Industries Public Co., Ltd.

2. As one-third of the directors must vacate their positions at each Annual General Meeting of Shareholders, the Nomination Committee must consider who is suitable to fill these vacant positions. The consideration process is as follows:

1. The Nomination Committee is informed of the names of those directors who must vacate their positions and the names of outsiders who have been nominated to serve as directors, either by minority shareholders or by directors of the Company.

2. The Nomination Committee considers the names of those who are suitable to become directors. A prospective director must have the necessary qualities and be free of forbidden characteristics as prescribed by the laws for public companies. The number of directors must be more than five and no more than sixteen, and at least half of them must be residents of Thailand.

3. The Nomination Committee approves a list of suitable people to be directors.

4. The Nomination Committee submits this list to the Board of Directors for their consideration and presentation to the Annual General Meeting of Shareholders.

3. At the Annual General Meeting of Shareholders for 2007, five directors were obliged to vacate their positions, namely :

1.	Prefessor Kesree	Narongdej	Director, Independent Director and Chairman of the Audit Committee
2.	Mr. Tongchat	Hongladaromp	Director and Independent Director
3.	Mr. Prateep	Buphaintr	Director, Independent Director, Audit Committee Member and Nomination Committee Member
4.	Mr. Kamol	Juntima	Director and Nomination Committee Member
5.	Mr. Win	Viriyaprapaikit	Director, Executive Director and President

4. At meeting number 1/2550 on January 24, 2007, the Nomination Committee considered candidates suitable for replacing the directors whose terms in office were expiring, based on their highest educational qualifications, their past and present work experience, and their participation in various committees. After arranging their names in order of priority, the Committee found that the five directors whose terms of office were expiring had the best claim of competence and/or experience in their various fields. Some of the said directors had been providing considerable support to the competent management, stability, and progress of the Company. The Committee therefore resolved to propose that the said five directors be re-elected for another term, and to fill the positions of Independent Director, Chairman of the Audit Committee, Audit Committee member, Executive Director, Nominee Committee Member and the President as before.

Additionally, in the Nomination Committee Meeting, Mr. Kamol Juntima and Mr. Prateep Buphaintr, members of the Nomination Committee, were among those who must resign after completing their term and were also considered stakeholders. Therefore, the recruitment procedure excluded the stake-holding members who were also abstained from voting.

The Nomination Committee hereby reports on the results of its selection of directors to fill vacant positions to the Board of Directors, and submits their names for consideration and presentation to the Annual General Meeting of Shareholders accordingly.



Mr. Visith Noiphan
Chairman of the Nomination Committee
February 9, 2007

Report of the Remuneration Committee

To the Board of Directors of Sahaviriya Steel Industries Public Company Limited

1. At the Board of Directors' meeting number 5/2004 on November 24, 2004, a Remuneration Committee ("the Committee") was appointed. The Committee consists of at least three directors, one of whom must be and is independent (not a company employee.) The Company's Vice President for Human Resources and Administration was delegated to act as Secretary. The names of the Committee members are:

1. Mr. Tawee Butsuntorn	Chairman of the Remuneration Committee
2. Mr. Taweesak Senanarong	Remuneration Committee Member
3. Mr. Somchai Pipitvijitkorn	Remuneration Committee Member
4. Ms. Dusadee Sirichaitavin	Secretary to the Remuneration Committee

The purpose of the Committee is to determine guidelines for deciding on remuneration for directors of the Board, committees appointed by the Board, the President, and senior executives. These guidelines are to be fair and reasonable. The Committee's office term is from November 24, 2004 to November 23, 2007.

2. To fulfill the assigned duties, the Remuneration Committee met two times in 2006. The Committee determined the following:

2.1 Adjusting the annual salary for the President

The Committee met on March 1, 2006 to determine the annual salary raise for the President in 2006. The Committee agreed unanimously to raise the salary for the President at the same rate as the regular employees in 2006, comparable with market remuneration. Factors that the Committee used to determine the raise were the overall Company performance in 2005 along with the President's other responsibilities that the Committee viewed beneficial to the long-term stability of the Company.

2.2 Bonuses for the President

At the meeting on December 15, 2006, the Committee determined the bonuses for the President for the fiscal year ending on December 31, 2006. The Committee considered the compensation based on the President's annual objectives, the corporate performance, the performance compared to a major competitor in Thailand, the 2006 report on bonuses rewarded to other employees, and a recent four year report on the President's bonuses. The Committee paid most attention to the corporate monetary performance since it was the President's major responsibility.

The Committee unanimously agreed to pay the President a bonus at the rate of 3 times his monthly salary, the same rate paid to other employees. The President will also receive a special bonus of one additional month salary.

Tawee Butsuntorn

Mr. Tawee Butsuntorn
Chairman of the Remuneration Committee
January 15, 2007

Sahaviriya Steel Industries Public Company Limited

Consolidated and the Company Only Financial Statements

• Future is Now

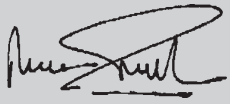
Report on the Responsibility of the Board of Directors Concerning the Financial Statements for 2006

The Board of Directors of Sahaviriya Steel Industries Public Co., Ltd. (SSI) is directly responsible for the consolidated financial statements of the Company and its subsidiaries, including the financial information found in this annual report. These financial statements have been prepared according to generally accepted accounting principles to be sure the accounting policies and practices chosen are appropriate and consistent. Careful judgment and appropriate estimations were employed in preparing these statements. Important information and sufficient details were included in the notes accompanying the financial statements for the purpose of corporate accountability and for the interests of all shareholders and general investors.

The Board of Directors provides and maintains an appropriate and effective system of internal controls and through this, has a reasonable assurance that the accounting information of the Company is accurate, complete and sufficient to protect the Company's assets and prevent fraud or any significant irregularities.

In addition, the Board of Directors has appointed an Audit Committee, consisting of independent directors, whose job is to ensure the quality of the Company's financial reports and internal controls. The Audit committee delivered their opinion regarding these matters in the Audit Committee Report found inside this annual report.

The Board of Directors' conclusion of the Company's overall internal control system is that it is satisfactory, reasonable, and reliable enough to ensure accurate financial statements of the Company and its subsidiaries as of December 31, 2006.



Mr. Maruey Phadoongsidhi
Chairman of the Board of Directors
On behalf of the Board of Directors

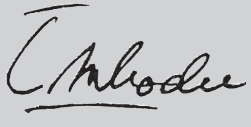
Report of the Independent Certified Public Accountants

To the Shareholders and Board of Directors
Sahaviriya Steel Industries Public Company Limited

We have audited the consolidated balance sheets of Sahaviriya Steel Industries Public Company Limited and its subsidiaries and the balance sheets of Sahaviriya Steel Industries Public Company Limited as at December 31, 2006 and 2005, and the related consolidated and Company's statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned consolidated and Company's financial statements present fairly, in all material respects, the financial position of Sahaviriya Steel Industries Public Company Limited and its subsidiaries and of Sahaviriya Steel Industries Public Company Limited as at December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.



Thanawan Anuratbodee
Certified Public Accountant (Thailand)
Registration No. 3440
DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

BANGKOK
February 2, 2007

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
AS AT DECEMBER 31, 2006 AND 2005

BAHT : '000

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	121,596	221,527	85,037	115,055
Current investments (Note 6)	1,000	1,000	-	-
Trade accounts and notes receivable				
Related parties (Note 22.3)	3,623,224	2,289,557	3,612,737	2,283,715
Others	638,502	1,239,629	606,646	1,237,080
	4,261,726	3,529,186	4,219,383	3,520,795
Less Allowance for doubtful accounts (Note 23)	(283,809)	(283,809)	(283,809)	(283,809)
Trade accounts and notes receivable - net	3,977,917	3,245,377	3,935,574	3,236,986
Short-term loans and advances to related parties (Note 22.2)	4,050	3,971	4,090	3,975
Inventories (Note 7)	17,732,471	24,610,013	17,789,792	24,707,437
Other current assets				
Advance payments	45,420	96,212	44,763	93,968
Refundable value-added-tax	1,318,961	1,453,505	1,317,740	1,451,967
Other receivables	2,361	2,004	1,577	1,764
Prepaid expenses	83,573	15,990	82,571	13,856
Accrued dividend receivable	-	-	154,500	-
Others	112,550	140,213	109,896	137,387
Total Current Assets	23,399,899	29,789,812	23,525,540	29,762,395
NON-CURRENT ASSETS				
Investments using the equity method (Note 22.1)	-	-	873,005	911,327
Other long-term investments (Note 22.1)	561,621	561,621	561,621	561,621
Deposit at bank used as collateral	11,200	11,200	-	-
Property, plant and equipment - net (Note 8)	20,535,843	20,827,985	17,896,582	18,338,724
Intangible assets (Note 9)	66,414	71,871	65,759	71,132
Other non-current assets (Note 10)	47,121	53,199	44,518	42,609
Total Non-Current Assets	21,222,199	21,525,876	19,441,485	19,925,413
TOTAL ASSETS	44,622,098	51,315,688	42,967,025	49,687,808

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

Balance (Continued)

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
AS AT DECEMBER 31, 2006 AND 2005

BAHT : '000

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Bank overdrafts and short-term loans from financial institutions				
Short-term loans (Note 11.1)	920,000	5,317,941	920,000	5,317,941
Trade finance loans (Note 11.1)	9,636,451	13,895,292	9,636,451	13,895,292
Bills of exchange (Note 11.2)	2,010,000	526,000	2,010,000	526,000
Trade accounts and notes payable	2,197,807	2,502,681	2,191,577	2,591,207
Current portion of long-term loans (Note 12)	761,089	812,000	596,000	608,000
Current portion of debentures (Note 13)	1,085,000	720,000	1,085,000	720,000
Current portion of liabilities under finance leases (Note 14)	95,239	84,095	95,239	84,095
Current portion of liabilities under hire-purchase agreements	4,997	980	2,909	44
Other current liabilities				
Dividend payable	98,000	-	-	-
Accrued expenses	188,633	302,140	168,997	289,399
Others	151,030	230,390	62,930	119,104
Total Current Liabilities	17,148,246	24,391,519	16,769,103	24,151,082
NON-CURRENT LIABILITIES				
Long-term loans (Note 12)	6,316,270	7,009,365	5,808,000	6,404,000
Debentures (Note 13)	725,000	1,810,000	725,000	1,810,000
Other non-current liabilities				
Liabilities under finance leases (Note 14)	399,019	494,258	399,019	494,258
Liabilities under hire-purchase agreements	6,725	712	4,522	-
Total Non-Current Liabilities	7,447,014	9,314,335	6,936,541	8,708,258
TOTAL LIABILITIES	24,595,260	33,705,854	23,705,644	32,859,340

BAHT : '000

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY				
(CONTINUED)				
SHAREHOLDERS' EQUITY				
SHARE CAPITAL				
Authorized share capital				
13,101,500,000 ordinary shares of				
Baht 1.00 each	13,101,500	13,101,500	13,101,500	13,101,500
Issued and paid-up share capital				
13,101,280,000 ordinary shares of				
Baht 1.00 each, fully paid	13,101,280	13,101,280	13,101,280	13,101,280
ADDITIONAL (DISCOUNT) ON CAPITAL				
Discount on ordinary share capital	(2,171,280)	(2,171,280)	(2,171,280)	(2,171,280)
Unrealized increment per assets appraisal				
(Note 8.2)	4,954,892	5,212,119	4,954,892	5,212,119
RETAINED EARNINGS				
Appropriated				
Legal reserve (Note 15)	391,473	256,966	391,473	256,966
Unappropriated	2,985,016	429,383	2,985,016	429,383
Total Company Shareholders' Equity	19,261,381	16,828,468	19,261,381	16,828,468
MINORITY INTEREST	765,457	781,366	-	-
Total Shareholders' Equity	20,026,838	17,609,834	19,261,381	16,828,468
TOTAL LIABILITIES AND				
SHAREHOLDERS' EQUITY	44,622,098	51,315,688	42,967,025	49,687,808

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

Statements of Income

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

BAHT : '000

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
REVENUES				
Revenues from the sales of goods	35,207,378	36,012,225	35,205,063	36,011,483
Revenues from the rendering of services	214,078	275,955	-	-
Other income				
Gain on exchange	360,661	52,155	360,708	52,155
Others	127,233	87,162	113,405	88,596
Share of profit from investment using the equity method	-	-	124,536	94,695
Total Revenues	35,909,350	36,427,497	35,803,712	36,246,929
EXPENSES				
Cost of the sales of goods (Note 17)	32,350,604	32,927,853	32,781,330	33,278,037
Cost of the rendering of services	323,327	275,386	-	-
Selling and administrative expenses	985,165	922,374	900,057	807,792
Doubtful accounts (recovered/reversal) (Note 10)	(27,779)	(30,881)	-	-
Loss on diminution in value of inventories	(2,244,565)	2,662,665	(2,244,565)	2,662,665
Loss on disposal and obsolescence of spare parts and consumable goods	91	13,819	91	13,819
Other expenses				
Loss on disposal of machine and equipment	17,331	30,329	16,254	26,695
Others	7,150	571	455	567
Directors' remuneration	18,638	21,430	14,006	18,556
Total Expenses	31,429,962	36,823,546	31,467,628	36,808,131

BAHT : '000

		CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
INCOME (LOSS) BEFORE INTEREST AND INCOME TAX EXPENSES		4,479,388	(396,049)	4,336,084	(561,202)
INTEREST EXPENSE		1,662,502	984,914	1,645,944	975,101
INCOME TAX EXPENSE		36,625	59,703	-	-
INCOME (LOSS) AFTER TAX		2,780,261	(1,440,666)	2,690,140	(1,536,303)
NET INCOME OF MINORITY INTEREST		(90,121)	(95,637)	-	-
NET INCOME (LOSS)		2,690,140	(1,536,303)	2,690,140	(1,536,303)
BASIC EARNINGS (LOSS) PER SHARE	**BAHT**	0.21	(0.12)	0.21	(0.12)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	**'000 SHARES**	13,101,280	13,101,280	13,101,280	13,101,280

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

Statements of Changes in Shareholders' Equity

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	CONSOLIDATED						BAHT : '000
	Issued and Paid-up Ordinary Share Capital	Discount on Ordinary Share Capital	Unrealized Increment per Assets Appraisal	"Restated" Retained Earnings (Deficit) Appropriated Legal Reserve	Unappropriated	Minority Interest	Total
Beginning balance, January 1, 2005	13,101,280	(2,171,280)	5,536,601	209,380	2,668,096	742,903	20,086,980
Amortization	-	-	(324,482)	-	-	(8,174)	(332,656)
Legal reserve (Note 15)	-	-	-	54,508	(54,508)	-	-
Adjustment of legal reserve (Note 27)	-	-	-	(6,922)	6,922	-	-
Dividend paid (Note 16)	-	-	-	-	(654,824)	(49,000)	(703,824)
Net income (loss)	-	-	-	-	(1,536,303)	95,637	(1,440,666)
Ending balance, December 31, 2005	13,101,280	(2,171,280)	5,212,119	256,966	429,383	781,366	17,609,834
Beginning balance, January 1, 2006	13,101,280	(2,171,280)	5,212,119	256,966	429,383	781,366	17,609,834
Amortization	-	-	(257,227)	-	-	(8,030)	(265,257)
Legal reserve (Note 15)	-	-	-	134,507	(134,507)	-	-
Dividend paid (Note 16)	-	-	-	-	-	(98,000)	(98,000)
Net income	-	-	-	-	2,690,140	90,121	2,780,261
Ending balance, December 31, 2006	13,101,280	(2,171,280)	4,954,892	391,473	2,985,016	765,457	20,026,838

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

	THE COMPANY ONLY					BAHT : '000
	Issued and Paid-up Ordinary Share Capital	Discount on Ordinary Share Capital	Unrealized Increment per Assets Appraisal	Retained Earnings (Deficit) Appropriated Legal Reserve	Unappropriated	Total
Beginning balance, January 1, 2005	13,101,280	(2,171,280)	5,536,601	209,380	2,668,096	19,344,077
Amortization	-	-	(324,482)	-	-	(324,482)
Legal reserve (Note 15)	-	-	-	47,586	(47,586)	-
Dividend paid (Note 16)	-	-	-	-	(654,824)	(654,824)
Net loss	-	-	-	-	(1,536,303)	(1,536,303)
Ending balance, December 31, 2005	13,101,280	(2,171,280)	5,212,119	256,966	429,383	16,828,468
Beginning balance, January 1, 2006	13,101,280	(2,171,280)	5,212,119	256,966	429,383	16,828,468
Amortization	-	-	(257,227)	-	-	(257,227)
Legal reserve (Note 15)	-	-	-	134,507	(134,507)	-
Net Income	-	-	-	-	2,690,140	2,690,140
Ending balance, December 31, 2006	13,101,280	(2,171,280)	4,954,892	391,473	2,985,016	19,261,381

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

Statements of Cash Flows

SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

BAHT : '000

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	2,690,140	(1,536,303)	2,690,140	(1,536,303)
Items to reconcile net income (loss) to				
net cash flows from operations :				
Doubtful accounts (Reversal)	(33,062)	(33,062)	-	-
Depreciation	565,301	621,602	481,123	545,653
Amortization	7,531	2,147	7,447	2,062
Withholding income tax written off	7,151	567	455	567
Non-refundable input value-added-tax	-	25,606	-	-
Loss on obsolete raw materials	38,209	6,065	38,209	6,065
Loss on diminution in value of raw materials (Reversal)	(885,802)	998,423	(885,802)	998,423
Loss on diminution in value of finished goods (Reversal)	(1,358,763)	1,664,242	(1,358,763)	1,664,242
Loss on diminution in value of spare parts				
and consumable goods (Reversal)	(16,684)	(10,697)	(16,684)	(10,697)
Difference of interest per effective				
interest rate and interest rate per				
debt restructuring agreement (deduction)	(2,197)	(1,316)	-	-
Realized gain on exchange	-	(132)	-	(132)
Unrealized (gain) loss on exchange	(42,302)	8,130	(42,302)	8,130
Gain on sales of property, plant and equipment	(4,661)	(2,552)	(138)	(3,349)
Loss on disposal of equipment	17,331	30,329	16,254	26,695
Loss on disposal of construction in progress	-	924	-	924
Loss on disposal of spare parts and consumable goods	91	13,819	91	13,819
Share of profit from investment using				
the equity method	-	-	(124,536)	(94,695)
Minority interest	90,121	95,637	-	-
Net income from operations before				
changes in operating assets and liabilities	1,072,404	1,883,429	805,494	1,621,404

BAHT : '000

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Operating assets (increase) decrease				
Trade accounts and notes receivable - related parties	(1,333,667)	(844,089)	(1,329,022)	(873,459)
Trade accounts and notes receivable - others	599,707	275,030	629,014	268,726
Inventories	9,100,491	(15,455,119)	9,140,594	(15,533,226)
Short-term loans and advances to related parties	(79)	(3,865)	(115)	(3,837)
Advance payments	50,792	323,905	49,205	327,337
Refundable value-added-tax	134,544	(1,228,605)	134,227	(1,228,174)
Other receivables	32,705	32,277	187	(402)
Prepaid expenses	(67,583)	(2,663)	(68,715)	(1,678)
Other current assets - others	79,142	(32,190)	85,666	(33,899)
Other non-current assets	6,078	(10,102)	(1,909)	(36,667)
Operating liabilities increase (decrease)				
Trade accounts and notes payable	(319,070)	(351,527)	(413,826)	(268,405)
Accrued expenses	(113,507)	105,436	(120,402)	52,115
Other current liabilities - others	(78,612)	(876,705)	(56,886)	(842,253)
Net cash provided by (used in) operating activities	9,163,345	(16,184,788)	8,853,512	(16,552,418)
CASH FLOWS FROM INVESTING ACTIVITIES				
Deposit at bank used as collateral decrease	-	5,000	-	-
Cash paid for purchases of current investments	-	(1,000)	-	-
Cash paid for purchases of property, plant and equipment	(544,463)	(1,868,102)	(296,152)	(1,443,423)
Cash paid for intangible assets	(2,074)	(1,670)	(2,074)	(1,669)
Proceeds from sales of property, plant and equipment	5,693	2,784	569	3,675
Proceeds from short-term loans to related parties	-	7,000	-	7,000
Short-term loans to related parties	-	(2,000)	-	(2,000)
Proceeds from dividend	-	-	-	51,000
Net cash used in investing activities	(540,844)	(1,857,988)	(297,657)	(1,385,417)

BAHT : '000

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
CASH FLOWS FROM FINANCING ACTIVITIES				
Short-term loans increase (decrease)	(4,397,941)	5,317,941	(4,397,941)	5,317,941
Trade finance loans increase (decrease)	(4,258,841)	13,128,666	(4,258,841)	13,128,666
Bills of exchange increase	1,484,000	526,000	1,484,000	526,000
Cash repayment of long-term loans	(772,309)	(746,402)	(608,000)	(588,000)
Proceeds from long-term loans	30,500	310,000	-	-
Cash paid for redemption of debentures	(720,000)	(720,000)	(720,000)	(720,000)
Liabilities under finance leases increase (decrease)	(84,095)	578,353	(84,095)	578,353
Liabilities under hire-purchase agreements (decrease)	(2,286)	(1,879)	(996)	(263)
Cash repayment of liabilities for purchase of land	(1,460)	(26,650)	-	-
Cash paid for dividend	-	(703,824)	-	(654,824)
Net cash provided by (used in) financing activities	(8,722,432)	17,662,205	(8,585,873)	17,587,873
Net decrease in cash and cash equivalents	(99,931)	(380,571)	(30,018)	(349,962)
Cash and cash equivalents as at January 1	221,527	602,098	115,055	465,017
Cash and cash equivalents as at December 31	121,596	221,527	85,037	115,055
Supplemental cash flow information:				
Cash paid for interest	1,770,483	1,007,187	1,719,115	976,668
Cash paid for corporate income tax	49,575	37,557	429	455

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

1. BUSINESS OPERATIONS OF THE COMPANY AND SUBSIDIARIES

Sahaviriya Steel Industries Public Company Limited is a listed company in The Stock Exchange of Thailand with its head office located at 28/1 Prapawit Building, 2nd-3rd Floor, Surasak Road, Silom, Bangrak, Bangkok and its plant located at 9 Moo 7, Ban Klang Na-Yai Ploy Road, Mae Rumphueng, Bang Saphan, Prachuap Khirikhan. The Company is the manufacturer of hot rolled coils. As at December 31, 2006 and 2005, the Company has 977 and 944 employees, respectively. The staff costs for 2006 and 2005 are Baht 422 million and Baht 350 million, respectively.

Prachuap Port Company Limited, a subsidiary, is a registered company in Thailand with its head office located at 28/1 Prapawit Building, 6th Floor, Surasak Road, Silom, Bangrak, Bangkok and its plant located at 62 Moo 3, Ban Klang Na-Yai Ploy Road, Mae Rumphueng, Bang Saphan, Prachuap Khirikhan. The subsidiary provides deep-sea port services. As at December 31, 2006 and 2005, the subsidiary has 96 and 91 employees, respectively. The staff costs for 2006 and 2005 are Baht 32 million and Baht 34 million, respectively.

West Coast Engineering Company Limited, a subsidiary, is a registered company in Thailand with its head office located at 28/1 Prapawit Building, 3rd Floor, Surasak Road, Silom, Bangrak, Bangkok and its plant located at 9 Moo 7, Ban Klang Na-Yai Ploy Road, Mae Rumphueng, Bang Saphan, Prachuap Khirikhan. The subsidiary provides repair and maintenance services including engineering design and supervision services. As at December 31, 2006 and 2005, the subsidiary has 370 and 334 employees, respectively. The staff costs for 2006 and 2005 are Baht 125 million and Baht 103 million, respectively.

Since 2002, the Government continuously issued various measures regarding the antidumping and countervailing of imported goods with the measures which are still in effect as follows:

1. On May 22, 2003, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce, by Sections 7, 49, 51, 53, 57 and 73 (1) of the Antidumping and Countervailing Act B.E. 2542, issued the announcement that the Committee had an ultimate judgement on May 16, 2003 that there were a dumping and a damage from the dumping of coil and non-coil hot rolled steel originated from 14 countries according to Section 19 (1) of the Antidumping and Countervailing Act B.E. 2542, thus the antidumping duties are imposed which minimum and maximum rates are in the range between 3.45% to 128.11% of CIF value for the period of 5 years from May 22, 2003, except the imported hot rolled steel for re-export.

2. On July 11, 2003, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce issued the announcement approving the exemption of antidumping duties for coil and non-coil hot rolled steel imported for cold-rolling and further processing for downstream users and assigned the Department of Foreign Trade to monitor the import under the pre-determined volume for the period of 5 years from July 21, 2003 to May 26, 2008.

2. BASIS FOR PREPARATION OF THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS

2.1 The consolidated and Company's financial statements have been prepared in accordance with the regulations of The Stock Exchange of Thailand dated January 22, 2001, regarding the basis, conditions and procedures for the preparation of financial statements and reports for financial position and results of operations of listed companies B.E.2544, and in accordance with accounting standards which is related to the financial statements and practices generally accepted in Thailand.

The brief particulars in the financial statements are shown in accordance with the Notification of the Department of Commercial Registration (presently the Department of Business Development) dated September 14, 2001 regarding "The Brief Particulars in the Financial Statements B.E.2544".

2.2 The consolidated financial statements include the accounts of the Company, Prachuap Port Company Limited and West Coast Engineering Company Limited of which the Company has a holding of 51% and 99.99%, respectively, after eliminating inter-company transactions and balances.

2.3 The consolidated and Company's financial statements are presented in accordance with the Explanation of Department of Business Development dated November 5, 2003 regarding "The Brief Particulars in the Financial Statements (No.2) B.E.2546" by presenting the premium on ordinary shares in the net amount after offsetting with the discount on ordinary shares.

3. RECLASSIFICATIONS

The financial statements for the year ended December 31, 2005 have been reclassified for certain transactions to conform to the classifications used in the financial statements for the year ended December 31, 2006. Such reclassifications are as follows:

- Directors' remuneration of Baht 7.97 million which was previously included in selling and administrative expenses in the financial statements for 2005, is separately presented.

- Bills of exchange of Baht 526 million which was previously included in short-term loans in the financial statements for 2005, is separately presented.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Revenues from sales are recognized when title of goods is passed to the buyer in accordance with delivery term in the sale contracts.

The subsidiaries recognize income from services using the percentage of completion method.

4.2 Cash and cash equivalent include cash in hand and all types of deposits at banks and at financial institutions with original maturities of 3 months or less, excluding cash at banks used as collateral.

4.3 Current investments include time deposits at banks and financial institutions.

4.4 Allowance for doubtful accounts is based on management's evaluation of accounts receivables which are considered uncollectible. Allowance for doubtful accounts is provided at 100% for overdue balances exceeding 6 months.

4.5 Inventories are stated at cost or net realizable value whichever is the lower. Raw materials, rolls which are part of consumable goods and finished goods are stated at cost by the specific identification method. Other types of inventories are stated at cost by the weighted average method.

4.6 Property is stated at revalued amount. Plant and equipment are stated at revalued amount less accumulated depreciation.

The Company and Prachuap Port Company Limited engaged an independent professional appraiser to appraise certain land, buildings, machinery, berth and berth facilities. The increment resulting from the appraisal was recorded in the account as unrealized increment per assets appraisal and is presented as a component of shareholders' equity.

Depreciation is calculated by the straight-line method, based on the estimated useful lives of the assets, except for machinery and equipment in production line of the Company, which is calculated by production based method, and machinery and computer equipment of West Coast Engineering Company Limited, which is calculated by the double declining method, as follows:

Land improvement	5 Years
Leasehold right for land	10 Years
Leasehold improvement	5 Years
Buildings	20 Years
Machinery and equipment in production line	Production units
Hot Rolled Coil Strip Mill	Estimated at a total of 55.8 MT
Hot Finishing Line Mill	Estimated at a total of 14 MT
The Second Skin Pass Mill	Estimated at a total of 14 MT
The Third Skin Pass Mill	Estimated at a total of 14.6 MT
Pickling and Oiling Line	Estimated at a total of 13 MT
Other machinery and equipment	5 - 10 Years
Office furniture and fixtures	5 Years
Vehicles	5 Years
Roads	5 Years
Berth and berth facilities	5 - 30 Years
Tug boats	12 Years
Customs cargo warehouse	5 Years

Depreciation for buildings, machinery and berth and berth facilities under appraisals is based on the estimated remaining useful lives and presented as a deduction from the unrealized increment per assets appraisal.

Interest on loan directly attributable to the construction of the project is capitalized as part of cost of the project until the construction is completed for use as intended.

4.7 Intangible assets are amortized by the straight-line method over 10 years.

4.8 Lease in which substantially all the risks and rewards of ownership other than legal title are transferred to the Company is accounted for as finance lease. At inception, the fair value of the leased assets is recorded together with the obligation. The leased assets are depreciated using the production based method. Interest or financial charge and depreciation are recognized as expenses in the statement of income.

4.9 Assets and liabilities denominated in foreign currencies are translated into Baht at rates of exchange prevailing at the transaction dates. All balances of assets, liabilities in foreign currencies and forward exchange contracts at the end of the year are converted into Baht at the reference exchange rates established by the Bank of Thailand at that date. All foreign exchange gains or losses are recognized in the statement of income.

The Company has adopted a policy to cover foreign currency exposure for certain assets and liabilities by entering into forward exchange contracts with banks. Exchange differences between forward exchange contract rates and spot rates are deferred and amortized over the period of contracts, and included in the measurements of the purchases or sales.

4.10 Income tax expense is based on tax paid and accrued for the year.

4.11 Basic earnings (loss) per share are calculated by dividing net income (loss) for the year by the weighted average number of ordinary shares outstanding during the year. In the case of a capital increase, the number of ordinary shares is weighted according to time of subscription received for the increase in issued and paid-up capital.

4.12 Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities. The actual results may differ from those estimates.

5. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

For the years ended December 31, non-cash transactions for investing activities and financing activities which are not shown in the statements of cash flows are as follows:

	CONSOLIDATED		THE COMPANY ONLY	
	2006 Baht'000	**2005 Baht'000**	**2006 Baht'000**	**2005 Baht'000**
- Operating activities				
Bad debt written off	-	110,079	-	110,079
- Investing activities				
Vehicles purchased under hire-purchase agreements	12,547	-	8,383	-
Amortization of unrealized increment per asset appraisal - net	257,227	332,656	248,869	315,975
Transfer of computer system under installation to intangible assets	-	68,428	-	68,428

6. CURRENT INVESTMENTS

Current investments as at December 31, consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	2006 Baht'000	2005 Baht'000	2006 Baht'000	2005 Baht'000
Fixed deposit for 1 year	1,000	1,000	-	-
	1,000	1,000	-	-

7. INVENTORIES

Inventories as at December 31, consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	2006 Baht'000	2005 Baht'000	2006 Baht'000	2005 Baht'000
Finished goods	7,685,537	12,344,446	7,724,926	12,406,904
Raw materials	7,867,892	12,424,132	7,895,640	12,471,633
Spare parts and consumable goods	1,430,099	1,209,060	1,420,283	1,196,525
Goods in transit	1,399,181	1,543,862	1,399,181	1,543,862
	18,382,709	27,521,500	18,440,030	27,618,924
Less Provision for diminution in value of finished goods	(305,479)	(1,664,242)	(305,479)	(1,664,242)
Provision for diminution in value of raw materials	(112,621)	(998,423)	(112,621)	(998,423)
Provision for diminution in value of spare parts and consumable goods	(232,138)	(248,822)	(232,138)	(248,822)
	17,732,471	24,610,013	17,789,792	24,707,437

As at December 31, 2006 and 2005, all finished goods and raw materials are pledged as collateral for short-term and long-term loans from financial institutions (see Notes 11 and 12).

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of following:

	CONSOLIDATED				
	Balance as at January 1, 2006 Baht'000	Additions Baht'000	Deductions Baht'000	Transfers between accounts Baht'000	Balance as at December 31, 2006 Baht'000
Property, plant and equipment					
Land and land improvement	1,411,255	-	(274)	97,616	1,508,597
Land - appraisal increase	8,267	-	-	-	8,267
Total	1,419,522	-	(274)	97,616	1,516,864
Leasehold right for land	12,325	-	-	-	12,325
Leasehold improvement	3,086	102	-	-	3,188
Buildings	1,645,466	173	(559)	99,059	1,744,139
Buildings - appraisal increase	415,452	-	-	-	415,452
Total	2,060,918	173	(559)	99,059	2,159,591

	CONSOLIDATED (CONTINUED)				
	Balance as at January 1, 2006 Baht'000	**Additions Baht'000**	**Deductions Baht'000**	**Transfers Between Accounts Baht'000**	**Balance as at December 31, 2006 Baht'000**
Machinery and equipment	15,034,082	11,893	(24,516)	216,605	15,238,064
Machinery and equipment - appraisal increase	6,489,552	-	(15,076)	-	6,474,476
Total	21,523,634	11,893	(39,592)	216,605	21,712,540
Machinery and equipment - others	282,017	16,024	(40,827)	3,869	261,083
Machinery and equipment – others appraisal increase	37,511	-	(2,865)	-	34,646
Total	319,528	16,024	(43,692)	3,869	295,729
Office furniture and fixtures	183,102	17,423	(20,392)	2,285	182,418
Vehicles	67,995	16,028	(6,005)	-	78,018
Roads	52,837	-	-	5,256	58,093
Roads - appraisal increase	10,731	-	-	-	10,731
Total	63,568	-	-	5,256	68,824
Berth and berth facilities	979,902	-	-	914,711	1,894,613
Berth and berth facilities - appraisal increase	437,054	-	-	-	437,054
Total	1,416,956	-	-	914,711	2,331,667
Tug boats	260,801	-	(39,871)	-	220,930
Total property, plant and equipment - at revalued amount	27,331,435	61,643	(150,385)	1,339,401	28,582,094
Accumulated depreciation					
Land improvement	71,910	18,188	(274)	-	89,824
Land improvement - appraisal increase	1,020	-	-	-	1,020
Total	72,930	18,188	(274)	-	90,844
Leasehold right for land	12,325	-	-	-	12,325
Leasehold improvement	2,991	34	-	-	3,025
Buildings	681,932	90,220	(185)	-	771,967
Buildings - appraisal increase	235,823	21,231	-	-	257,054
Total	917,755	111,451	(185)	-	1,029,021
Machinery and equipment	3,485,350	340,889	(8,696)	(54)	3,817,489
Machinery and equipment - appraisal increase	2,168,370	213,444	(5,232)	-	2,376,582
Total	5,653,720	554,333	(13,928)	(54)	6,194,071
Machinery and equipment - others	190,695	24,469	(40,648)	22	174,538
Machinery and equipment - others appraisal increase	30,710	2,881	(2,853)	-	30,738
Total	221,405	27,350	(43,501)	22	205,276

CONSOLIDATED (CONTINUED)

	Balance as at January 1, 2006 Baht'000	Additions Baht'000	Deductions Baht'000	Transfers Between Accounts Baht'000	Balance as at December 31, 2006 Baht'000
Office furniture and fixtures	120,126	21,316	(19,284)	32	122,190
Vehicles	42,898	9,466	(5,123)	-	47,241
Roads	32,788	6,876	-	-	39,664
Roads - appraisal increase	4,021	2,146	-	-	6,167
Total	36,809	9,022	-	-	45,831
Berth and berth facilities	412,344	38,578	-	-	450,922
Berth and berth facilities - appraisal increase	180,373	15,698	-	-	196,071
Total	592,717	54,276	-	-	646,993
Tug boats	76,759	15,265	(39,871)	-	52,153
Total accumulated depreciation	7,750,435	820,701	(122,166)	-	8,448,970
Property, plant and equipment - net	19,581,000				20,133,124
Construction in progress	1,188,745	553,375	-	1,339,401	402,719
Fixed assets in transit	58,240	(58,240)	-	-	-
Total property, plant and equipment - net	20,827,985				20,535,843
Depreciation for the year excluded depreciation from unrealized increment per assets appraisal					
2006					565,301
2005					621,602

THE COMPANY ONLY

	Balance as at January 1, 2006 Baht'000	Additions Baht'000	Deductions Baht'000	Transfers between accounts Baht'000	Balance as at December 31, 2006 Baht'000
Property, plant and equipment					
Land and land improvement	863,110	-	-	97,616	960,726
Land - appraisal increase	3,902	-	-	-	3,902
Total	867,012	-	-	97,616	964,628
Leasehold right for land	12,325	-	-	-	12,325
Leasehold improvement	3,086	102	-	-	3,188
Buildings	1,581,851	-	-	60,338	1,642,189
Buildings - appraisal increase	410,954	-	-	-	410,954
Total	1,992,805	-	-	60,338	2,053,143
Machinery and equipment	14,967,570	6,966	(23,177)	193,126	15,144,485
Machinery and equipment - appraisal increase	6,489,552	-	(15,076)	-	6,474,476
Total	21,457,122	6,966	(38,253)	193,126	21,618,961

THE COMPANY ONLY (CONTINUED)

	Balance as at January 1, 2006 Baht'000	Additions Baht'000	Deductions Baht'000	Transfers between accounts Baht'000	Balance as at December 31, 2006 Baht'000
Machinery and equipment - others	250,861	3,386	(39,796)	4,154	218,605
Machinery and equipment – others appraisal increase	37,511	-	(2,865)	-	34,646
Total	288,372	3,386	(42,661)	4,154	253,251
Office furniture and fixtures	158,855	13,890	(18,643)	1,568	155,670
Vehicles	42,533	10,707	(1,854)	-	51,386
Roads	32,557	-	-	5,518	38,075
Roads - appraisal increase	10,700	-	-	-	10,700
Total	43,257	-	-	5,518	48,775
Total property, plant and equipment - at revalued amount	24,865,367	35,051	(101,411)	362,320	25,161,327
Accumulated depreciation					
Land improvement	63,992	17,594	-	-	81,586
Leasehold right for land	12,325	-	-	-	12,325
Leasehold improvement	2,991	34	-	-	3,025
Buildings	658,651	85,222	-	-	743,873
Buildings - appraisal increase	232,008	20,547	-	-	252,555
Total	890,659	105,769	-	-	996,428
Machinery and equipment	3,410,805	331,335	(7,422)	-	3,734,718
Machinery and equipment - appraisal increase	2,168,370	213,445	(5,232)	-	2,376,583
Total	5,579,175	544,780	(12,654)	-	6,111,301
Machinery and equipment - others	173,257	18,469	(39,687)	-	152,039
Machinery and equipment – others appraisal increase	30,710	2,881	(2,853)	-	30,738
Total	203,967	21,350	(42,540)	-	182,777
Office furniture and fixtures	102,457	18,075	(18,108)	-	102,424
Vehicles	23,121	6,731	(1,568)	-	28,284
Roads	20,707	3,663	-	-	24,370
Roads - appraisal increase	4,001	2,140	-	-	6,141
Total	24,708	5,803	-	-	30,511
Total accumulated depreciation	6,903,395	720,136	(74,870)	-	7,548,661
Property, plant and equipment - net	17,961,972				17,612,666
Construction in progress	318,512	327,724	-	(362,320)	283,916
Fixed assets in transit	58,240	(58,240)	-		-
Total property, plant and equipment - net	18,338,724				17,896,582
Depreciation for the year excluded depreciation from unrealized increment per assets appraisal					
2006					481,123
2005					545,653

8.1 As at December 31, 2006 and 2005, certain land, buildings and machinery of the Company representing approximately 94.4% and 94.9%, respectively of the total net book value of such assets are mortgaged as collateral for bank overdrafts, short-term loans from financial institutions, long-term loans and debentures (see Notes 11, 12 and 13).

As at December 31, 2006 and 2005, certain land and expanding berth construction of Prachuap Port Company Limited, the subsidiary, with value representing approximately 90%, of the total net book value of such assets of each year are mortgaged as collateral for long-term loans. Subsequently, on January 18, 2007, the Company had also mortgaged such assets as collateral for letter of guarantee (see Notes 12 and 25.2).

As at December 31, 2006 and 2005, land and structure of West Coast Engineering Company Limited, the subsidiary, are mortgaged with two banks to secure as collateral for bank overdrafts and short-term loans, long-term loan and other credit facilities (see Notes 11 and 12).

8.2 In 2002, the Company engaged an independent professional appraiser, American Appraisal (Thailand) Limited, to reappraise the plant facilities for the second time after the first appraisal in 1997. In 2003, Prachuap Port Company Limited engaged such company to reappraise its land, building, customs cargo warehouse, berth and berth facilities for the second time after the first appraisal in 1998. The appraisal reports submitted by the appraiser were as of December 11, 2002 and August 28, 2003, respectively.

The results of the second appraisals of the Company and subsidiary were as follows:

Baht : '000

	The Company only	**Subsidiary**
Appraisal increment (decrement) - net		
Land	3,902	3,689
Buildings	241,085	1,919
Machinery	5,365,065	-
Facilities	10,700	126,348

The increment from the appraisal was recorded in the account as unrealized increment per assets appraisal and was included as part of shareholders' equity. The decrease was recorded in the statement of income for the year the revaluation was performed.

The method of appraisal for the value of buildings, machinery, berth and facilities was the depreciated replacement cost to reflect the unexpired service potential of the assets with regard to age and condition.

In addition, the Company and such subsidiary have evaluated the recoverable amounts by using the discounted cash flow method, and have determined that the recoverable amounts to be higher than the appraisal values from such depreciated replacement cost basis.

The Company and such subsidiary have a policy to review and adjust the depreciated appraisal value of assets on a periodic basis.

As at December 31, 2006 and 2005, the Company, a subsidiary and a related company have recorded unrealized appraisal increment for assets and recognized unrealized increment per assets appraisal in shareholders' equity as follows:

	CONSOLIDATED AND THE COMPANY ONLY				
	2006				
	Land	Building	Machinery	Berth and Berth Facilities	Total
	Baht'000	Baht'000	Baht'000	Baht'000	Baht'000
Unrealized increment per assets appraisal of :					
The Company	3,902	158,398	4,101,802	4,559	4,268,661
The subsidiary	1,706	-	-	122,904	124,610
The related company	-	-	561,621	-	561,621
	5,608	158,398	4,663,423	127,463	4,954,892

	CONSOLIDATED AND THE COMPANY ONLY				
	2005				
	Land	Building	Machinery	Berth and Berth Facilities	Total
	Baht'000	Baht'000	Baht'000	Baht'000	Baht'000
Unrealized increment per assets appraisal of :					
The Company	3,902	178,946	4,327,983	6,699	4,517,530
The subsidiary	1,706	348	-	130,914	132,968
The related company	-	-	561,621	-	561,621
	5,608	179,294	4,889,604	137,613	5,212,119

8.3 The Company and the subsidiaries have the assets which are fully depreciated but are still in use as follows:

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
	Baht'000	Baht'000	Baht'000	Baht'000
Cost of assets (excluded appraisal increase) before fully depreciated	385,933	407,964	259,647	286,781

8.4 As at December 31, 2006 and 2005, the Company and subsidiary capitalized interest expenses incurred from loans for the construction projects as part of cost of assets in the total amount of Baht 147.54 million and Baht 98.03 million, respectively.

8.5 Fixed assets under finance lease and hire-purchase agreements

As at December 31, 2006 and 2005, property, plant and equipment included machinery and equipment in production line under finance leases with the cost value of Baht 559.82 million

As at December 31, 2006 and 2005, vehicles of a subsidiary include cars acquired from hire-purchases which are still under installment in the amount of Baht 12.5 million and Baht 1.8 million, respectively.

9. INTANGIBLE ASSETS - NET

Intangible assets - net as at December 31, consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	2006 Baht'000	2005 Baht'000	2006 Baht'000	2005 Baht'000
Computer software	74,097	3,999	73,240	3,142
Add Additions during the year	2,074	70,098	2,074	70,098
Less Accumulated amortization	(9,757)	(2,226)	(9,555)	(2,108)
	66,414	71,871	65,759	71,132
Amortization for the year	7,531	2,147	7,447	2,062

10. OTHER NON-CURRENT ASSETS

Other non-current assets as at December 31, consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	2006 Baht'000	2005 Baht'000	2006 Baht'000	2005 Baht'000
Deposits	45,392	44,775	44,518	42,609
Receivable from cancellation of shipbuilding contract	11,462	44,524	-	-
Other	1,729	8,424	-	-
	58,583	97,723	44,518	42,609
Less Allowance for doubtful account - Receivable from cancellation of shipbuilding contract	(11,462)	(44,524)	-	-
	47,121	53,199	44,518	42,609

Receivable from cancellation of shipbuilding contract represented the transaction of Prachuap Port Company Limited which cancelled the shipbuilding contract relating to the tugboats. The supplier agreed to return all the money paid of USD 3.81 million or Baht 167.96 million within fifteen installments from July 8, 2002 to March 8, 2007. From 2002 to December 31, 2006, the subsidiary received total repayment of USD 3.55 million or Baht 157.17 million. However, the subsidiary has provided for the allowance for doubtful debt in full for the remaining amount as at December 31, 2006 and 2005, due to the uncertainty of the recoverability.

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

11.1 Short-term loans and trade finance loans

The Company had short-term trade financing facilities from financial institutions according to the loan agreement dated September 15, 2003 with a total maximum credit limit of Baht 17,000 million. The trade financing facilities included bank overdraft, letters of credit, trust receipts, promissory notes, bills discounted, packing credits and banks' letters of guarantee.

Subsequently, on August 31, 2005, such loan agreement had been revised of credit limit from maximum credit facilities of Baht 17,000 million to unlimited credit facilities and on October 5, 2005, the existing lenders and the new lenders had increased short-term trade financing facilities from Baht 17,000 million to Baht 25,750 million and USD 45 million. As at December 31, 2006 and 2005, the Company has unused short-term credit facilities after converting into Thai Baht of Baht 14,618 million and Baht 5,926 million, respectively.

Such short-term loans are secured by the pledge of raw materials and finished products owned by the Company and the short-term and long-term lending financial institutions are secured for additional by the second mortgage of land, buildings and machinery and the assignment of insurance proceeds to the lenders. (see Notes 7 and 8.1)

West Coast Engineering Co., Ltd., a subsidiary has credit lines for overdrafts and other credit facilities from commercial banks as follows:

1. As at December 31, 2006 and 2005, the subsidiary, has credit lines from a commercial bank totaling Baht 5 million which are secured by the mortgage of land of the subsidiary and guaranteed by the Company. The subsidiary has no overdraft and short-term loan balances as of the balance sheet date. (see Notes 8.1 and 25.5)
2. As at December 31, 2006, the subsidiary, has credit lines from another commercial bank totaling Baht 15 million which are secured by the mortgage of land of the subsidiary. The subsidiary has no overdraft and short-term loan balances as of the balance sheet date. (see Note 8.1)

11.2 Bills of exchange

As at December 31, 2006, the Company has short-term loans from bank amounting to Baht 2,010 million which are unsecured bills of exchange with interest rates at 6.15% - 6.20% per annum to be due in 2007.

At December 31, 2005, the Company had short-term loans from bank amounting to Baht 526 million which are unsecured promissory notes with interest rates at 3.40% - 3.80% per annum to be due in 2006.

12. LONG-TERM LOANS

Long-term loans as at December 31, consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	2006 Baht'000	2005 Baht'000	2006 Baht'000	2005 Baht'000
Loan repayable semi-annually from March 2005 onwards	5,264,000	5,432,000	5,264,000	5,432,000
Loan repayable semi-annually from June 2005 onwards	200,000	600,000	200,000	600,000
Loan repayable semi-annually from September 2005 onwards	940,000	980,000	940,000	980,000
Loan repayable monthly from April 2002 - May 2003 and semi-annually from June 2003 onwards	35,716	149,716	-	-
Loan repayable monthly from January 2006 onwards	561,691	612,000	-	-
Loan repayable yearly from December 2007 onwards	45,000	45,000	-	-
Loan repayable quarterly from June 2007 onwards	30,500	-	-	-
	7,076,907	7,818,716	6,404,000	7,012,000
Less Current portion	(761,089)	(812,000)	(596,000)	(608,000)
	6,315,818	7,006,716	5,808,000	6,404,000
Add Difference of interest per effective interest rate and interest rate per debt restructuring agreement	452	2,649	-	-
	6,316,270	7,009,365	5,808,000	6,404,000

The Company and subsidiaries have long-term loan agreements as follows:

1. On September 15, 2003, the Company and the lending banks entered into the credit facilities agreement for long-term loans amounting to Baht 8,000 million which consisted of convertible debentures of Baht 2,400 million, that were all converted into ordinary shares in December 2003, and long-term loan of Baht 5,600 million with 10 year maturity, interest rates at an average MLR less 1.5% per annum from the agreement date to the third year, at an average MLR less 1% per annum from the third year to the fifth year and at an average MLR less 0.5% per annum from the fifth year onwards being that such interest rates must not be less than interest rate of secured debentures (see Note 13) plus 0.75% per annum. The interest is payable quarterly and principal repayment will be increased proportionately and payable semi-annually starting from March 31, 2005. As at December 31, 2006 and 2005, the Company has outstanding balances of such long-term loan of Baht 5,264 million and 5,432 million, respectively.

   During the quarter ended September 30, 2004, the lending banks reduced interest rates of long-term loans amounting to Baht 5,600 million from average MLR less 1.5% per annum to fixed rate at 3.5% per annum for the period of 6 months from August 1, 2004 to January 31, 2005. Subsequently, such lending banks extended reduction period of interest rates of long-term loans to fixed rate at 4.31% per annum for the period of 55 days from February 1, 2005 to March 31, 2005.

2. On December 29, 2003, the Company and the existing lenders entered into the credit facility agreement for additional long-term loans with credit limit of Baht 2,000 million with 3.5-year maturity and fixed interest rate at 3.75% per annum. The interest is payable semi-annually and principal repayment is payable in an equal amount semi-annually starting from June 2005. The Company shall withdraw such loans within June 30, 2004. Subsequently, on January 9, 2004, the Company has been withdrawn the loans of Baht 1,000 million. As at December 31, 2006 and 2005, the Company has outstanding balance of such long-term loan of Baht 200 million and Baht 600 million, respectively.

3. On September 11, 2003, the Company entered into a long-term loan agreement with a financial institution amounting to Baht 1,000 million with 10-year maturity, fixed interest rate at 4% per annum from the agreement date to September 30, 2008 and at an average MLR less 0.5% per annum from October 1, 2008 onwards. The interest is payable quarterly and principal repayment will be increased proportionately and payable semi-annually starting from September 30, 2005. As at December 31, 2006 and 2005, the Company has outstanding balance of such long-term loan of Baht 940 million and Baht 980 million, respectively.

   All three loan agreements above are secured by the mortgage of land, buildings, machinery and the assignment of insurance proceeds to the lenders and the short-term and long-term lending financial institutions are secured for additional by the second pledge of raw materials and finished products owned by the Company (see Notes 7 and 8.1).

   In addition, all three loan agreements contain certain covenants regarding the operations, financial ratios and financial position, maintenance of shareholders' equity in Prachuap Port Company Limited at not less than 51% of issued and paid up share capital of such subsidiary and prohibition of dividend payments higher than 60% of net income in each fiscal year and including the covenant on forbidding the Company to pledge its investment in share or create any obligation thereon. The Company thus has to comply with certain conditions contained in such loan agreements.

4. Prachuap Port Company Limited, a subsidiary, entered into the debt restructuring agreement with its lending bank on March 30, 1999 and an amendment agreement on June 30, 1999. Modification of the terms of debt included the extension of all long-term and short-term and reduction of interest of principal amounts thereof to a long-term loan in the amount of Baht 832.5 million with 9-year maturity, 3-year grace period of principal repayment with principal repayment monthly in the fourth year from April 2002 and principal repayment every 6 months starting from the fifth year on June 30, 2003 with interest payable monthly at interest rate below MLR of such bank during the first 7 years and thereafter at MLR of such bank. As at December 31, 2006 and 2005, the subsidiary has outstanding balance of such long-term loan of Baht 35.7 million and 149.7 million, respectively.

   Such loan is guaranteed by certain directors and the mortgage of land as collateral (see Note 8.1).

5. On September 5, 2003, such subsidiary entered into another long-term loan agreement with a commercial bank totaling Baht 650 million with 6 year maturity, and bearing interest rate at 3 month fixed deposit rate of the bank plus 3%, 3.5%, 4% per annum for the first two years, the third year, and the fourth year onward, respectively. Interest is payable monthly and the grace period for principal is one and a half years, which was ended in February 2005. The first installment payment was due on the last working day of March 2005 and the following installment payment is payable at the end of each month. Such long-term loan is secured by the mortgage as collateral of land and building and expanding berth construction (see Note 8.1).

On June 7, 2005, such subsidiary entered into an amendment of the above long-term loan agreement to change the grace period for the principal from one and a half years and the first installment payment which would be made on the last working day of March 2005 to be one year and ten months and the first installment was on the last working day of July 2005.

Subsequently, on August 26, 2005, such subsidiary entered into another amendment of the above long-term loan agreement to change the grace period for principal from one year and six months and the first installment payment which would be made on the last working day of March 2005 to be two years and four months and the first installment will be made on the last working day of January 2006.

As at December 31, 2006 and 2005, such subsidiary has outstanding balance of such long-term loan of Baht 561.69 million and Baht 612 million, respectively.

The loan agreement dated September 5, 2003 contains certain covenants regarding the operations, financial ratios and financial position. The subsidiary thus has to comply with certain conditions contained in above loan agreement.

6. On March 21, 2005, West Coast Engineering Co., Ltd., a subsidiary, entered into the long-term loan agreement with a commercial bank totaling Baht 45 million with 3-year maturity, and bearing interest rates at an MLR average less 1% per annum for the first year, and at an MLR average less 0.5% per annum for the second year onward. The principal repayment will be made in two installments annually with the first installment of Baht 20 million and the second installment of Baht 25 million. The first installment will be due on the last working day of the second year after the date the first drawdown is made which is on December 30, 2007. The interest is payable monthly. Such long-term loan is secured by the mortgage of certain land and structure of the subsidiary and is guaranteed by the Company. (see Notes 8.1 and 25.5)

7. On October 2, 2006, such subsidiary entered into another loan facility agreement of Baht 75 million for investing in an expansion of a workshop and for its working capital and of US$ 1 million for forward contract with a commercial bank. Such subsidiary can withdraw the loan when it complies with all conditions stated in the agreement. The loan is repayable within 5 years after the agreement date. The installment is due every 3 months from June 30, 2007 onwards. The 1st to the 8th installments are not less than Baht 2.5 million each. The 9th to the 15th installments are not less than Baht 5 million each and the 16th installment is paid for the remaining loan balance. The loan bears interest rate at MLR less 0.5% per annum. As at December 31, 2006, such subsidiary has already made a withdrawal of Baht 30.5 million.

   Such loan is secured by the mortgage of a plot of land and structure of the subsidiary and the transfer of insurance beneficiary of the collateral to the lender. In addition, there are certain conditions regarding operations, financial ratios which such subsidiary has to comply with as stated in the agreement and the Company has to maintain its holding in such subsidiary of not less than 75% of total shares during the agreement period.

13. DEBENTURES

Debentures as at December 31, consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	2006 Baht'000	2005 Baht'000	2006 Baht'000	2005 Baht'000
Debentures	1,810,000	2,530,000	1,810,000	2,530,000
Less Current portion	(1,085,000)	(720,000)	(1,085,000)	(720,000)
	725,000	1,810,000	725,000	1,810,000

On September 17, 2003, the Company had proceeds from sales of debentures to institutional investors totaling Baht 4,000 million with detail as follows:

1. Secured amortizing debentures No. 1 series 1 of 1,800,000 units with total value of Baht 1,800 million with 3.5 years maturity, which principal was to be equally redeemed semi-annually starting from March 17, 2005 and will be due in 2007. The interest rate is fixed at 3.5% per annum and payable semi-annually. As at December 31, 2006 and 2005, the Company has outstanding debentures of Baht 360 million and Baht 1,080 million, respectively.

   Secured amortizing debentures No. 1 series 2 of 1,450,000 units with total value of Baht 1,450 million with 4.5 years maturity, which principal will be equally redeemed semi-annually starting from September 17, 2007 and will be due in 2008. The interest rate is floated at the average of 6-month fixed deposit rates of 4 commercial banks plus 2.75% per annum and payable semi-annually. As at December 31, 2006 and 2005, the Company has outstanding debentures of Baht 1,450 million.

2. Secured debentures No. 2 of 750,000 units with total value of Baht 750 million which were redeemed in 2004.

The debentures are secured by the mortgage of land, buildings, and machinery (see Note 8.1). The proceeds from these debentures were used to repay a portion of long-term loans under restructuring debts agreement and/or invested in expansion project.

14. LIABILITIES UNDER FINANCE LEASE AGREEMENTS

Total minimum lease payments and their present value of liabilities under finance lease agreements as at December 31, consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	2006 Baht'000	2005 Baht'000	2006 Baht'000	2005 Baht'000
Not later than one year;	124,224	118,813	124,224	118,813
One to four years	424,255	548,480	424,255	548,480
Total minimum lease payments	548,479	667,293	548,479	667,293
Interest expense	(54,221)	(88,940)	(54,221)	(88,940)
Present value of minimum lease payments	494,258	578,353	494,258	578,353
Less Current portion	(95,239)	(84,095)	(95,239)	(84,095)
Liabilities under finance lease agreements	399,019	494,258	399,019	494,258

15. LEGAL RESERVE

Under the Public Companies Act B.E. 2535, the Company is required to set aside as a legal reserve at least 5 percent of its net income after accumulated deficit brought forward (if any) until the reserve is not less than 10 percent of the authorized capital. This reserve is not available for dividend distribution.

16. DIVIDEND PAYMENT

On April 5, 2005, the Ordinary Shareholders' Meeting No.16 approved dividend payment for the period from July to December 2004, to be paid to the shareholders at Baht 0.05 per share. The Company paid such dividend on May 4, 2005.

On November 18, 2005, the Board of Directors' Meeting No. 10/2548 of Prachuap Port Co., Ltd., a subsidiary, approved an interim dividend payment for the first half of 2005 at Baht 2.50 per share. The subsidiary paid such dividend on December 6, 2005.

On December 28, 2006, the Board of Directors' Meeting No. 13/2549 of Prachuap Port Co., Ltd., a subsidiary, approved an interim dividend payment to the shareholders at Baht 5.00 per share. The subsidiary paid such dividend on January 19, 2007.

On December 28, 2006, the Board of Directors' Meeting No. 5/2549 of West Coast Engineering Co., Ltd, a subsidiary, approved an interim dividend payment to the shareholders at Baht 7.00 per share. The subsidiary paid such dividend on January 19, 2007.

17. COST OF THE SALES OF GOODS

For the year ended December 31, 2005, cost of the sales of goods included expenses of Baht 92.69 million, which incurred during plant shutdown for expansion of production capacity.

18. PROVIDENT FUND

The Company established a contributory Provident Fund and registered according to the Provident Fund Act, B.E. 2530 (1987) and Provident Fund Act (No.2), B.E. 2542 (1999).

For the years ended December 31, 2006 and 2005, the Company and subsidiarys' contributions included in cost of the sales of goods and selling and administration expenses are Baht 26.3 million and Baht 16.3 million, respectively.

19. FOREIGN EXCHANGE RISK MANAGEMENT

As at December 31, 2006 and 2005, assets and liabilities in foreign currencies consist of the following:

		CONSOLIDATED AND THE COMPANY ONLY	
		2006	**2005**
Assets	- US Dollar	1,369,438	13,168,486
	- Euro	77	-
Liabilities	- US Dollar	53,937,795	50,418,952
	- Italian Lira	1,770,995	51,770,995
	- Yen	2,380,400	8,035,600
	- Euro	634,370	1,850,321
	- Singapore Dollar	4,250	200,944

As at December 31, 2006, the Company entered into hedging contracts to cover existing and committed assets of USD 96.1 million which are due for receipt in 2007 but did not enter into hedging contracts for existing and committed liabilities which are due in 2007.

As at December 31, 2005, the Company entered into hedging contracts to cover existing and committed assets of USD 34.6 million which are due for receipt in 2006 and entered into hedging contracts for existing and committed liabilities of EUR 0.3 million which are due in 2006.

20. THE INVESTMENT PROMOTION RIGHTS AND PRIVILEGES

The Company was incorporated on March 13, 1990, and commenced its operations on April 23, 1994.

The Company was granted certain rights and privileges as a promoted industry under the Investment Promotion Act B.E. 2520 (1977) according to the promotional certificate No. 1140/2533 dated August 8, 1990 and its amendments, including exemption from customs duties for machinery, reduction in customs duties on raw materials, and exemption from company income tax for a period of 8 years from the date the Company receiving the revenues from the promoted business. Such corporate income tax exemption privileges expired on April 22, 2002, but the Company still has a corporate tax exemption for profit derived from the promoted business at the rate of 50% of normal rate for 5 years after April 22, 2002. In addition, the Company has a right to carry forward net annual loss incurred during the period that the Company received company income tax exemption to be utilized against net profit incurred after April 22, 2002 for 5 years.

On October 15, 2002, the Company was granted certain additional rights and privileges according to the promotional certificate No.6507/2545 (14-1140/2533) including exemption from customs duties for raw materials and consumable parts for production for export at the period as defined in the promotional certificate. Such rights and privileges expired on November 22, 2004.

Subsequently, on June 8, 2004, the Company was granted certain rights and privileges according to the promotional certificate No. 1438(2)/2547, including exemption from company income tax for sales of hot rolled steel and oiling hot rolled steel totally not exceeding 1.6 million ton per year for a period of 8 years from the date the Company receiving the revenues from the promoted business. Such rights and privileges will expire on May 12, 2012. In addition, the Company has a right to carry forward net annual loss incurred during the period that the Company received company income tax exemption to be utilized against net profit incurred after May 12, 2012 for 5 years.

Prachuap Port Company Limited, a subsidiary, was incorporated on October 4, 1990, and commenced its operations on February 18, 1994. The subsidiary was granted certain rights and privileges as a promoted industry under the Investment Promotion Act B.E. 2020 (1977) as follows:

- Investment promotion certificate No. 8002/2537 dated January 17, 1994 which the Board of Investment approved the promotion for the port service business. Significant rights and privileges received included the exemption from customs duties for machinery, as stated in the promotional certificate, as approved by the Board of Investment and the exemption from company income tax for the period of 8 years from the date the subsidiary receiving the revenues from the promoted business. Such rights and privileges expired on February 21, 2002, but the subsidiary still has a corporate tax exemption for profit derived from the promoted business at the rate of 50% of normal rate for 5 years after February 21, 2002.

- Investment promotion certificate No. 1484(2)/2545 dated July 31, 2002, which the Board of Investment approved the promotion for the high-powered tug boat service for public transportations and large products. Significant rights and privileges included a reduction in customs duties for machinery as stated in the promotional certificate and the exemption from company income tax on profit derived from the promoted business which is not exceeding 100% of its investment for the period of 5 years from the date of the subsidiary receiving revenues from the promoted business. Such rights and privileges will expire on September 30, 2007.

- Investment promotion certificate No. 1464(2)/2547 dated June 10, 2004 which the Board of Investment approved the promotion for the port service business. Significant rights and privileges received include the exemption from customs duties for machinery as stated in the promotional certificate and the exemption from company income tax derived from the promoted business which is not exceeding 100% of its investment for the period of 8 years from the date of the subsidiary receiving the revenues from the promoted business and not exceeding Baht 1,146,312,000 which may be adjusted according to the capital excluded land and actual working capital on the commencement date of the promoted project. The Company first received revenues from the promoted business on November 14, 2006.

- Investment promotion certificate No. 1901(2)/2547 dated October 29, 2004 which the Board of Investment approved the promotion for the high-powered tug boat service. Significant rights and privileges received include a reduction in customs duties for machinery as stated in the promotional certificate and exemption from company income tax on profit derived from the promoted business, not exceeding 100% of its investment for the period of 5 years from the date the subsidiary receiving revenues from the promoted business. Such rights and privileges will expire on August 8, 2010.

Shareholders of the Company and the subsidiary will receive exemption from income tax on dividends received during the period in which the Company and the subsidiary are granted exemption from company income tax.

The Company and the subsidiary thus have to comply with certain conditions contained in the promotion all certificates.

21. REVENUES OF A PROMOTED INDUSTRY

Based on the Announcement of the Board of Investment No. Por 14/2541 dated December 30, 1998 regarding reporting on revenues of a promoted industry, the Company is required to report separately revenues from domestic sales and export sales and promoted and non-promoted businesses.

For the year ended December 31, 2006, the required information is as follows:

	CONSOLIDATED			
	Promoted Business Baht'000	**Non-promoted Business Baht'000**	**Inter-company transaction Baht'000**	**Total Baht'000**
Revenues				
Export sales	7,312,966	811,968	-	8,124,934
Domestic sales	23,398,476	3,764,665	(80,697)	27,082,444
Income from services	291,200	341,133	(418,255)	214,078
	31,002,642	4,917,766	(498,952)	35,421,456

	THE COMPANY ONLY		
	Promoted Business Baht'000	**Non-promoted Business Baht'000**	**Total Baht'000**
Revenues			
Export sales	7,312,966	811,968	8,124,934
Domestic sales	23,398,476	3,681,653	27,080,129
	30,711,442	4,493,621	35,205,063

For the year ended December 31, 2005, the required information is as follows:

	CONSOLIDATED			
	Promoted Business Baht'000	**Non-promoted Business Baht'000**	**Inter-company transaction Baht'000**	**Total Baht'000**
Revenues				
Export sales	5,826,012	-	-	5,826,012
Domestic sales	30,184,938	42,647	(41,372)	30,186,213
Income from services	449,062	324,516	(497,623)	275,955
	36,460,012	367,163	(538,995)	36,288,180

	THE COMPANY ONLY		
	Promoted Business Baht'000	**Non-promoted Business Baht'000**	**Total Baht'000**
Revenues			
Export sales	5,826,012	-	5,826,012
Domestic sales	30,184,938	533	30,185,471
	36,010,950	533	36,011,483

22. TRANSACTIONS WITH RELATED PARTIES

The Company and subsidiaries have transactions with related parties. These parties are investee companies having mutual directors or companies which directors are major shareholders and/or have common directors. The financial statements reflect the effects of these transactions which are in the ordinary course of business with detail as follows:

	Types of business	Relationship December 31, 2006	Relationship December 31, 2005
Subsidiary companies			
West Coast Engineering Co., Ltd.	Maintenance service	Subsidiary company	Subsidiary company
Prachuap Port Co., Ltd.	Deep-sea port service	Subsidiary company	Subsidiary company
Related parties			
Thai Coated Steel Sheet Co., Ltd.	Producer of electro-galvanized coils	Shareholder and the common directorship is shared by SSI's director (s)	Shareholder and the common directorship is shared by SSI's director (s)
Thai Cold Rolled Steel Sheet Pcl.	Producer of cold rolled coils	Shareholder and the common directorship is shared by director (s) of SSI's subsidiary	Shareholder and the common directorship is shared by director (s) of SSI's subsidiary
Bangsaphan Transport Co., Ltd.	Transport services	-	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)
Bangsaphan Barmill Pcl.	Producer of round steel bars and deformed steel bars	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)
B.S. Metal Co., Ltd.	Trader of metal products	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)
Sahaviriya Plate Mill Co., Ltd.	Producer of hot rolled coil plate	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)
Prapawit Building Property Co., Ltd. (formerly Prapawit Co., Ltd.)	Lessor of office building space	The common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s)	The common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s)

	Types of business	Relationship December 31, 2006	Relationship December 31, 2005
Western Housing Co., Ltd.	Room rental services	The common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s)	The common directorship is shared by SSI's director (s) and the aggregated shareholding by SSI's director (s)
Four Star Marine Co., Ltd.	Marine transport services	-	The common directorship is shared by director (s) of SSI's subsidiary and the aggregated shareholding by close relatives of director (s) of SSI's subsidiary
Sahaviriya Steel Group Co., Ltd.	Internet and hotline services	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)
Central Maritime Co., Ltd.	Marine transport services	-	The common directorship is shared by director (s) of SSI's subsidiary and the aggregated shareholding by director (s) of SSI's subsidiary
C.A.R. Services Co., Ltd.	Transport services	The direct and indirect aggregated shareholding by SSI's director (s)	The direct and indirect aggregated shareholding by SSI's director (s)
Sahaviriya Panich International Co., Ltd.	Trader of metal products	The common directorship is shared by SSI's director (s) and the indirect aggregated shareholding by SSI's director (s)	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)
Bangpakong Metal Co., Ltd.	Trader of metal products	-	The indirect aggregated shareholding by SSI's director (s)
Line Transport Co., Ltd.	Transport services	The common directorship is shared by director(s) of SSI's subsidiary and the direct and indirect aggregated shareholding by SSI's director (s)	The direct and indirect aggregated shareholding by SSI's director (s)
B.P. Wire Rod Co., Ltd.	Producer of wire rod	The direct and indirect aggregated shareholding by SSI's director (s)	The direct and indirect aggregated shareholding by SSI's director (s)
Bangpakong Lighter Co., Ltd.	Marine transport services	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)	The common directorship is shared by SSI's director (s) and the direct and indirect aggregated shareholding by SSI's director (s)
Sahaviriya Transport Holding Co., Ltd.	Holding company	The common directorship is shared by SSI's director (s) and the aggregated shareholder by SSI's director (s)	The common directorship is shared by SSI's director (S) and the aggregated shareholder by SSI's director (S)

22.1 Investments in subsidiary, associated and related parties as at December 31,

					2006			
	Types of business	Relationship	Issued and paid up capital Baht'000	% of Shareholding	Cost Baht'000	Equity Baht'000	Consolidated Baht'000	Dividend Amount Baht'000
Subsidiary companies								
West Coast Engineering Company Limited	Maintenance services	Shareholder	75,000	99.99	75,000	76,305	-	52,500
Prachuap Port Company Limited	Deep - sea port services	Shareholder	400,000	51.00	204,000	796,700	-	102,000
					279,000	873,005	-	154,500
Related companies								
Thai Coated Steel Sheet Company Limited	Producer of electro - galvanized coils	Shareholder	2,206,900	3.70	293,999	-	293,999	-
Thai Cold Rolled Steel Sheet Public Company Limited	Producer of cold rolled coils	Shareholder	10,703,000	8.77	938,125	-	938,125	-
					1,232,124	-	1,232,124	-
Less Allowance for impairment					(670,503)	-	(670,503)	-
					561,621	-	561,621	-

					2005			
	Types of business	Relationship	Issued and paid up capital Baht'000	% of Shareholding	Cost Baht'000	Equity Baht'000	Consolidated Baht'000	Dividend Amount Baht'000
Subsidiary companies								
West Coast Engineering Company Limited	Maintenance services	Shareholder	75,000	99.99	75,000	98,069	-	-
Prachuap Port Company Limited	Deep - sea port services	Shareholder	400,000	51.00	204,000	813,258	-	51,000
					279,000	911,327	-	51,000
Related companies								
Thai Coated Steel Sheet Company Limited	Producer of electro - galvanized coils	Shareholder	2,206,900	3.70	293,999	-	293,999	-
Thai Cold Rolled Steel Sheet Public Company Limited	Producer of cold rolled coils	Shareholder	10,703,000	8.77	938,125	-	938,125	-
					1,232,124	-	1,232,124	-
Less Allowance for impairment					(670,503)	-	(670,503)	-
					561,621	-	561,621	-

22.2 Loans and advances between the Company and subsidiary, associated and related parties

	Balance as at December 31, 2005 Baht'000	Additions Baht'000	Repayments/ Settlements Baht'000	Balance as at December 31, 2006 Baht'000
CONSOLIDATED				
Advances				
Related parties	3,971	909	830	4,050
Total	3,971	909	830	4,050
THE COMPANY ONLY				
Advances				
Subsidiary company	4	239	203	40
Related parties	3,971	909	830	4,050
Total	3,975	1,148	1,033	4,090

22.3 Other transactions

Balances with related parties in the balance sheets as at December 31, are mainly as follows:

	CONSOLIDATED		THE COMPANY ONLY	
	2006 Baht'000	2005 Baht'000	2006 Baht'000	2005 Baht'000
Accounts and notes receivable – net				
Related parties				
Thai Cold Rolled Steel Sheet Pcl.	8,486	5,001	373	-
B.S. Metal Co., Ltd.	3,597,665	2,128,478	3,597,475	2,128,478
Sahaviriya Panich International Co., Ltd.	14,889	155,237	14,889	155,237
Other related parties*	2,184	841	-	-
	3,623,224	2,289,557	3,612,737	2,283,715
Other receivables				
Subsidiary company				
West Coast Engineering Co., Ltd.	-	-	567	388
Related parties				
Other related parties*	465	478	-	-
	465	478	567	388
Accrued dividend receivables				
Subsidiary company				
West Coast Engineering Co., Ltd.	-	-	52,500	-
Prachuap Port Co., Ltd.	-	-	102,000	-
	-	-	154,500	-
Other current assets - others				
Subsidiary company				
West Coast Engineering Co., Ltd.	-	-	461	341
Related parties				
Thai Coated Steel Sheet Co., Ltd.	6,196	5,151	6,196	5,151
Bangsaphan Barmill Pcl.	6,282	3,616	6,282	3,616
Other related parties	1,497	1,252	1,020	726
	13,975	10,019	13,498	9,493
	13,975	10,019	13,959	9,834

	CONSOLIDATED		THE COMPANY ONLY	
	2006 Baht'000	2005 Baht'000	2006 Baht'000	2005 Baht'000
Other assets				
Related parties				
Prapawit Building Property Co., Ltd. (formerly Prapawit Co., Ltd.)	6,948	4,408	6,130	3,591
Trade accounts payable				
Subsidiary companies				
West Coast Engineering Co., Ltd.	-	-	19,661	38,602
Prachuap Port Co., Ltd.	-	-	4,267	70,988
	-	-	23,928	109,590
Related parties				
Line Transport Co., Ltd.	5,221	26,256	5,221	26,256
Bangsaphan Transport Co., Ltd.*	40	4,334	40	4,179
Four Star Marine Co., Ltd.*	-	3,604	-	3,604
Sahaviriya Panich International Co., Ltd.	-	5,612	-	5,612
B.S. Metal Co., Ltd.	831	761	831	761
C.A.R. Services Co., Ltd.	1,923	-	1,923	-
Other related parties	75	255	73	226
	8,090	40,822	8,088	40,638
	8,090	40,822	32,016	150,228
Other accounts payable				
Subsidiary companies				
West Coast Engineering Co., Ltd.	-	-	4,184	4,551
Related parties				
Other related parties	91	86	-	-
	91	86	4,184	4,551
Dividend Payable				
Related parties				
Sahaviriya Transport Holding Co., Ltd.	87,500	-	-	-
	87,500	-	-	-
Accrued expenses				
Subsidiary companies				
West Coast Engineering Co., Ltd.	-	-	8,332	10,844
Prachuap Port Co., Ltd.	-	-	4,981	6,801
	-	-	13,313	17,645
Related parties				
Bangsaphan Transport Co., Ltd.*	759	12,648	759	12,648
Line Transport Co., Ltd.	6,275	3,970	6,275	3,970
Bangpakong Lighter Co., Ltd.	4,608	39,996	4,608	39,996
C.A.R. Services Co., Ltd.	6,191	-	6,191	-
Sahaviriya Panich International Co., Ltd.	3,698	943	3,698	943
Other related parties*	227	1,163	227	1,163
	21,758	58,720	21,758	58,720
	21,758	58,720	35,071	76,365

Transactions with related parties in the statements of income for the years ended December 31, are mainly as follows:

	CONSOLIDATED		THE COMPANY ONLY	
	2006 Baht'000	2005 Baht'000	2006 Baht'000	2005 Baht'000
Sales				
Related parties				
Thai Cold Rolled Steel Sheet Pcl.	2,729,557	3,543,801	2,729,492	3,543,794
B.S. Metal Co., Ltd.	5,998,480	4,610,131	5,998,460	4,609,890
Sahaviriya Panich International Co., Ltd.	5,322,344	3,722,873	5,322,344	3,722,873
Bangpakong Metal Co., Ltd.*	-	545,921	-	545,921
Other related parties	4	49	-	-
	14,050,385	12,422,775	14,050,296	12,422,478
Sales (raw material)				
Related parties				
Sahaviriya Plate Mill Co., Ltd.	83,576	-	83,576	-
	83,576	-	83,576	-
Service income				
Related parties				
Thai Cold Rolled Steel Sheet Pcl.	51,379	68,777	-	-
Bangsaphan Barmill Pcl	13,803	26,467	-	-
Bangsaphan Transport Co., Ltd.*	-	2,550	-	-
Thai Coated Steel Sheet Co., Ltd.	4,043	2,510	-	-
Line Transport Co., Ltd.	4,541	33	-	-
Other related parties*	2,864	621	-	-
	76,630	100,958	-	-
Other income				
Subsidiary companies				
West Coast Engineering Co., Ltd.	-	-	13,089	-
Prachuap Port Co., Ltd.	-	-	21	104
	-	-	13,110	104
Related parties				
Other related parties*	1,185	2,399	450	2,067
	1,185	2,399	13,560	2,171
Purchases of goods and services				
Subsidiary companies				
West Coast Engineering Co., Ltd.	-	-	326,383	243,244
Prachuap Port Co., Ltd.	-	-	112,464	211,607
	-	-	438,847	454,851
Related parties				
Line Transport Co., Ltd.	194,586	49,152	194,586	49,147
Bangsaphan Transport Co., Ltd.*	469	134,295	422	134,158
B.S. Metal Co., Ltd.	20,616	6,598	20,616	6,598
Four Star Marine Co., Ltd.*	-	81,461	-	81,461
Other related parties	2,899	2,131	2,899	2,131
	218,570	273,637	218,523	273,495
	218,570	273,637	657,370	728,346
Selling and administrative expenses				
Subsidiary company				
Prachuap Port Co., Ltd.	-	-	11,984	15,913
Related parties				
Bangsaphan Transport Co., Ltd.*	419	174,229	290	172,736
Prapawit Building Property Co., Ltd. (formerly Prapawit Co., Ltd.)	13,674	13,948	11,749	10,942
Four Star Marine Co., Ltd.*	-	12,590	-	12,590
Sahaviriya Panich International Co., Ltd.	29,811	30,960	29,811	30,960
Line Transport Co., Ltd.	62,561	4,355	62,555	4,355
Bangpakong Lighter Co., Ltd.	185,576	39,996	185,576	39,996
C.A.R. Services Co., Ltd.	62,865	-	62,865	-
Other related parties*	2,041	2,820	1,551	2,634
	356,947	278,898	354,397	274,213
	356,947	278,898	366,381	290,126

* Four Star Marine Co., Ltd., Central Maritime Co., Ltd., Bangpakong Metal Co., Ltd. have not been related parties since the first quarter of the year 2006 and Bangsaphan Transport Co., Ltd. has not been related party since the third quarter of the year 2006.

The Company has policies to sell the products to shareholders' group and related parties at the same price sold to the third party subject to purchased volumes and related marketing factors.

Other income, which is fine charged for delayed payments, is fixed by the management at the funding cost. Other income from sale of scrap material is realized based on scrap weight and at the price determined by the Company.

Transportation expenses which are recorded as production cost are payable at the rates agreed in the transportation agreement based on cargo weight and distance.

Selling and administrative expenses which are domestic freights are charged at the rates as agreed in the transportation agreement based on cargo weight and distance. Rent of the office and warehouse are as agreed under the lease agreement. Service charge for employees' accommodation is fixed on a year by year basis as agreed with the owner.

Prachuap Port Company Limited charges for port services rendered to the Company, related parties and third parties at the rates as determined by the Ministry of Transportation and subject to service volumes and related marketing factors.

West Coast Engineering Company Limited charges the fees for maintenance related services rendered to the Company at the rates as agreed in the long-term maintenance service agreement of which the terms can be modified according to business circumstances and to related parties and third parties at terms and conditions normally applicable to transactions of the same nature.

23. ADDITIONAL DISCLOSURE FOR QUALITY OF ASSETS

As at December 31, 2006, the Company and a subsidiary have customers who defaulted on payments. The following summarizes such accounts receivable aging:

	CONSOLIDATED		THE COMPANY ONLY	
	Number of Accounts	**Amount Baht'000**	**Number of accounts**	**Amount Baht'000**
Less than 3 months	28	1,647,569	16	1,637,291
Over 12 months	4	283,809	4	283,809
Total		1,931,378		1,921,100
Allowance for doubtful accounts recorded		283,809		283,809

As at December 31, 2005, the Company and a subsidiary had customers who defaulted on payments. The following summarizes such accounts receivable aging:

	CONSOLIDATED		THE COMPANY ONLY	
	Number of Accounts	Amount Baht'000	Number of accounts	Amount Baht'000
Less than 3 months	11	1,657,435	10	1,657,424
3-6 months	4	2,544	-	-
6-12 months	23	37,465	-	-
Over 12 months	4	283,809	4	283,809
Total		1,981,253		1,941,233
Allowance for doubtful accounts recorded		283,809		283,809

24. BUSINESS SEGMENT INFORMATION

Business segment information for the Company and subsidiaries for the years ended December 31, is as follows:

	Types of business	Revenues and other income		Net income		Assets employed	
		2006 Baht'000	2005 Baht'000	2006 Baht'000	2005 Baht'000	2006 Baht'000	2005 Baht'000
Sahaviriya Steel Industries Public Company Limited	Manufacturer of hot rolled coils	35,803,712	36,246,929	2,690,140	(1,536,303)	42,967,025	49,687,808
West Coast Engineering Company Limited	Maintenance Services	447,019	364,411	33,171	30,052	346,823	254,314
Prachuap Port Company Limited	Deep-sea port services	300,889	456,339	145,151	257,205	2,489,809	2,559,948
		36,551,620	37,067,679	2,868,462	(1,249,046)	45,803,657	52,502,070
Less Inter-company transactions		(642,270)	(640,182)	(88,201)	(191,620)	(1,181,559)	(1,186,382)
		35,909,350	36,427,497	2,780,261	(1,440,666)		
Less Minority interest in net income				(90,121)	(95,637)		
Net income				2,690,140	(1,536,303)		
Total assets						44,622,098	51,315,688

25. COMMITMENTS, LETTERS OF GUARANTEE AND CONTINGENCIES

25.1 The Company has capital commitments regarding the agreements for construction of plant, purchases of machinery and equipment including Pickling and Oiling Plant Project, Capacity Expansion Project and other commitments amounting to approximately Baht 144.70 million, USD 9.96 million and EUR 1.78 million as at December 31, 2006 and Baht 231.05 million, USD 7.03 million and EUR 3.21 million as at December 31, 2005.

The Company has commitments to banks regarding the outstanding letters of credit amounting to approximately USD 1.50 million and EUR 0.35 million as at December 31, 2006 and USD 1.05 million and EUR 0.33 million as at December 31, 2005.

The two subsidiaries have capital commitments regarding capital expenditure, construction contracts and other commitments totaling approximately Baht 26.72 million and Baht 35.85 million as at December 31, 2006 and 2005, respectively.

25.2 The Company and subsidiaries have letters of guarantee issued by banks on their behalf amounting to approximately Baht 271.63 million and Baht 903.18 million as at December 31, 2006 and 2005, respectively which are in the normal course of business. Subsequently, on January 18, 2007, a subsidiary had changed a collateral for bank guarantee from fixed deposits to the same collateral of loan agreement of Baht 650 million. (see Note 8.1)

25.3 Previously, the Company was sued by the Forestry Department in a civil case regarding the project of constructing road to the berth in the amount of approximately Baht 4.9 million. Subsequently, on September 1, 2005, the Prachuapkirikan Provincial Court gave a decision for the Company to pay claims of Baht 2 million plus 7.5% interest since the sued date by the Forestry Department. The case is currently pending in the Appeal Court. On July 14, 2006, the Company has pledged a bank guarantee amounting to Baht 3.9 million with the Appeal Court to suspend the execution of a judgement during the appeal.

25.4 Previously in March 2004, the Company was the co-defendant at the Bangkok South Civil Court in two civil cases involving the total claims of Baht 126 million as a result of incorrect issuing of bills of lading by forwarding agents. Subsequently in July 2005, two plaintiffs from such cases had sued the Company to the Central Intellectual property and International Trade Court which has jurisdiction to the cases. The total claim is approximately Baht 80 million. In December 2005, the Central Intellectual Property and International Trade Court combined the two cases due to having the same dispute. The cases are currently pending in the Central Intellectual Property and International Trade Court.

25.5 As at December 31, 2006 and 2005, a subsidiary has bank overdrafts and other credit facilities totaling Baht 5 million and has long-term loan of Baht 45 million which are guaranteed by the Company. (see Notes 11 and 12)

26. DISCLOSURE OF FINANCIAL INSTRUMENTS

26.1 Accounting policies

Accounting policies have been disclosed in Note 4.

26.2 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss for the Company and its subsidiary. The Company believes that it has no credit risk with respect to concentrations as the company has many customers who sell different types of products.

In the case of recognized financial assets in the balance sheet, the carrying amount of the assets recorded in the balance sheet, net of a portion of allowance for doubtful debts and short-term receivables, represents the Company and its subsidiary maximum exposure to credit risk.

26.3 Foreign exchange risk

Foreign exchange risk arises from the change in foreign currency exchange rates to have an adverse effect on the Company in the current reporting period and in future years. The Company expects that there may be an effect from changes in exchange rates resulted from a portion of assets and liabilities in foreign currencies which has not been hedged.

Information related to forward contracts is disclosed in Note 19.

26.4 Interest rate risk

Interest rate risk arises from the potential change in interest rates having an adverse effect on interest expense of the Company and its subsidiaries in the current reporting period and in future years. The Company expects that there may be a significant effect from changes in interest rates to the Company's operations.

Information regarding interest rates and term of payments of long-term loans is disclosed in Notes 12 and 13.

26.5 Fair value of financial instruments

The following methods and assumptions are used by the Company and subsidiaries in estimating fair value of financial instruments.

Cash in hand and at banks, current investments, accounts and notes receivable and short-term loans and advances to related parties: For those with maturities not exceeding 90 days from December 31, 2006 and 2005, the carrying amounts approximate their fair values; for those with maturities exceeding 90 days, including deposit at bank used as collateral, the fair values are estimated using the discounted cash flows analysis based on the current savings deposit rate.

Bank overdrafts and loans from financial institutions: The carrying amount of these financial liabilities which bear floating rates of interest approximates their fair values.

Accounts and notes payable: For those with maturities not exceeding 90 days from December 31, 2006 and 2005, the carrying amounts approximate their fair values. For those with maturities exceeding 90 days including long-term loans and convertible debentures, the fair values are estimated using the discounted cash flows analysis based on the current interest rates for similar types of borrowing arrangements.

As at December 31, 2006, the carrying values of financial assets and liabilities which are different from the fair values are as follows:

	CONSOLIDATED		THE COMPANY ONLY	
	Carrying Value Baht'000	Fair Value Baht'000	Carrying Value Baht'000	Fair Value Baht'000
Financial liabilities:				
Long-term loans	7,077,359	7,080,508	6,404,000	6,408,026
Debentures	1,810,000	1,826,637	1,810,000	1,826,637
Liabilities under finance leases	494,258	446,383	494,258	446,383

As at December 31, 2005, the carrying values of financial assets and liabilities which were different from the fair values were as follows:

	CONSOLIDATED		THE COMPANY ONLY	
	Carrying Value Baht'000	Fair Value Baht'000	Carrying Value Baht'000	Fair Value Baht'000
Financial assets:				
Deposit at bank used as collateral	11,200	11,396	-	-
Current investment	1,000	1,012	-	-
Financial liabilities:				
Long-term loans	7,866,365	7,543,508	7,012,000	6,734,489
Debentures	2,530,000	2,475,752	2,530,000	2,475,752
Liabilities under finance leases	578,353	500,516	578,353	500,516

27. ADJUSTMENT IN PRIOR YEAR'S CONSOLIDATED FINANCIAL STATEMENTS

The Company adjusted the legal reserve of a subsidiary company in the consolidated financial statements for the year ended December 31, 2005 which resulted in the decrease in legal reserve as at December 31, 2005 of Baht 6.9 million and the retained earnings as at December 31, 2005 increased by the same amount.

28. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been authorized for issue by an authorized director of the Company on February 2, 2007.



Sahaviriya Steel Industries Public Company Limited
Head Office : 28/1 Prapawit Building, 2nd-3rd Floor, Surasak Road,
Silom, Bangrak, Bangkok 10500
T. 0-2238-3063 - 82
F. 0-2236-8890, 0-2236-8892
Plant Office : 9 Moo 7, Ban Klang Na-Yai Ploy Road, Mae Rumphueng,
Bang Saphan, Prachuap Khirikhan 77140
T. 0-3269-1403 - 5, 0-3269-1412 - 5, 0-3269-1419 - 20
F. 0-3269-1421
Website : http://www.ssi-steel.com