

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Rich Asia Steel Public Company Limited.

(Former name "Rich Asia Trading (Thailand) Company Limited.")

I have audited the accompanying balance sheets of Rich Asia Steel Public Company Limited as of December 31, 2006 and 2005, the related statement of income, changes in shareholders' equity and the statement of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion of these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the 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 statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects the financial position of Rich Asia Steel Public Company Limited as of December 31, 2006 and 2005, the results of its operations, changes in shareholders' equity and cash flows for the years then ended, in conformity with generally accepted accounting principles.

(Mrs. Supreeya Saengudomlert)

Certified Public Accountant No. 811

Bangkok

February 26, 2007.

Rich Asia Steel Public Company Limited
(Former name "Rich Asia Trading (Thailand) Company Limited")

Balance Sheet

As of December 31, 2006 and 2005

		<u>Assets</u>	
		<u>2006 (Baht)</u>	<u>2005 (Baht)</u>
Current assets			
Cash on hand and cash equivalents	(Note 2 , 3)	28,516,067.81	35,304,600.81
Trade accounts receivable	(Note 2 , 4)		
Related parties		12,764,570.56	24,492,921.12
Other		606,558,621.54	749,308,953.23
Inventories	(Note 2 , 5)	472,504,300.27	343,108,909.34
Other current assets			
Post - dated cheque - land		20,000,000.00	-
Guarantee deposit - goods		131,206,484.16	-
Other	(Note 6)	8,438,464.23	703,472.25
Total current assets		<u>1,279,988,508.57</u>	<u>1,152,918,856.75</u>
Non-current assets			
Pledged deposit at financial institution	(Note 7)	207,000,000.00	149,137,349.83
Investment in immovable property	(Note 2 , 8)	39,702,435.60	39,702,435.60
Properties plant and equipment - net	(Note 2 , 9)	177,207,303.73	169,372,419.64
Intangible asset	(Note 2 , 10)	2,784,491.50	-
Other non-current assets	(Note 11)	402,442.99	315,573.83
Total non-current assets		<u>427,096,673.82</u>	<u>358,527,778.90</u>
Total assets		<u><u>1,707,085,182.39</u></u>	<u><u>1,511,446,635.65</u></u>

Rich Asia Steel Public Company Limited
(Former name "Rich Asia Trading (Thailand) Company Limited")

Balance Sheet

As of December 31, 2006 and 2005

Liabilities and Shareholders' Equity

		<u>2006 (Baht)</u>	<u>2005 (Baht)</u>
Current liabilities			
Bank overdrafts and short-term loans from			
- financial institutions	(Note 12)	728,191,025.07	377,390,044.34
Trade accounts payable			
Related parties		670,255.71	7,953,501.07
Other		181,687,390.17	466,343,500.10
Current portion of long-term debts	(Note 15)	2,781,617.00	4,377,534.31
Unearned revenue		-	128,971,962.62
Guarantee deposit - land sale	(Note 13)	15,000,000.00	5,000,000.00
Accrued income tax		6,271,873.07	10,633,185.98
Other current liabilities	(Note 14)	29,496,748.20	14,879,766.39
Total current liabilities		<u>964,098,909.22</u>	<u>1,015,549,494.81</u>
Non-current liabilities			
Payable under hire-purchased-net	(Note 15)	<u>1,413,026.07</u>	<u>4,194,643.07</u>
Total non-current liabilities		<u>1,413,026.07</u>	<u>4,194,643.07</u>
Total liabilities		<u>965,511,935.29</u>	<u>1,019,744,137.88</u>
Shareholders' equity			
Share Capital - ordinary share	(Note 16)		
Authorized			
In 2006 500,000,000 share par value Bath 1.00		500,000,000.00	
In 2005 4,000,000 share per value Bath 100.00			<u>400,000,000.00</u>
Issue and fully paid			
In 2006 500,000,000 share par value Bath 1.00		500,000,000.00	
In 2005 4,000,000 share per value Bath 100.00			400,000,000.00
Premium on shares capital		118,250,000.00	-
Retained earnings			
Appropriated			
Legal reserves	(Note 18)	4,585,125.00	-
Unappropriated		118,738,122.10	91,702,497.77
Total Shareholders' equity		<u>741,573,247.10</u>	<u>491,702,497.77</u>
Total Liabilities and Shareholders' Equity		<u>1,707,085,182.39</u>	<u>1,511,446,635.65</u>

Rich Asia Steel Public Company Limited
(Former name "Rich Asia Trading (Thailand) Company Limited")

Statement of Income

For the years ended December 31, 2006 and 2005

		<u>2006 (Baht)</u>	<u>2005 (Baht)</u>
Revenues			
Sales		4,332,508,063.21	4,904,959,455.68
Other income			
Sale spare parts		-	5,653,165.06
Profit on exchange rate		-	3,006,643.16
Other	(Note 20)	12,948,949.79	6,375,046.72
Total revenues		<u>4,345,457,013.00</u>	<u>4,919,994,310.62</u>
Expenses			
Cost of goods sold		4,114,113,754.87	4,776,297,397.62
Selling and administrative expenses		79,814,912.57	60,585,733.05
Loss on impairment of asset		-	15,672,815.00
Directors' remuneration	(Note 19)	3,970,000.00	3,678,720.00
Other expenses	(Note 21)	339,263.64	132,945.63
Total expenses		<u>4,198,237,931.08</u>	<u>4,856,367,611.30</u>
Profit before interest expenses and income tax		147,219,081.92	63,626,699.32
Interest expenses		36,728,172.10	26,902,240.19
Income tax		28,870,160.49	20,856,426.00
Net profit for the year		<u>81,620,749.33</u>	<u>15,868,033.13</u>
Basic earnings per share (Baht)	(Note 2.11)	0.19	3.97
Weighted average number of ordinary shares		435,342,465	4,000,000
Share par value (Baht)		1.00	100.00

Rich Asia Steel Public Company Limited
(Former name "Rich Asia Trading (Thailand) Company Limited")

Statement of Cash Flows

For the years ended December 31, 2006 and 2005

	<u>2006 (Baht)</u>	<u>2005 (Baht)</u>
Cash flows from operating activities		
Net profit	81,620,749.33	15,868,033.13
Adjustment to reconcile net profit to net cash provided from operation		
Depreciation and amortized	21,757,239.45	15,778,994.99
Amortized interest on hire - purchases	935,285.69	954,652.35
Loss on disposal of assets	-	132,945.63
Loss on impairment of asset	-	15,672,815.00
Loss on exchange rate	1,381,498.21	-
Reversal loss on devalue of goods	(12,040,412.79)	-
Loss on devalue of goods	624,548.14	12,040,412.79
Gain on operating before changed in operating assets - and liabilities	94,278,908.03	60,447,853.89
Decrease (increase) in operating assets		
Trade accounts receivable		
Related parties	11,728,350.56	17,460,574.13
Other	142,750,331.69	(549,671,038.42)
Inventories	(117,979,526.28)	159,918,017.83
Debtor - Revenue Dept.	-	25,205,576.73
Guarantee deposit - goods	(131,206,484.16)	2,250,336.75
Other current assets	(7,734,991.98)	(87,873.77)
Decrease (increase) in operating liabilities		
Trade accounts payable		
Related parties	(7,283,245.36)	(22,354,757.57)
Other	(286,037,608.14)	451,153,153.54
Unearned revenue - goods	(128,971,962.62)	64,124,769.12
Accrued income tax	(4,361,312.91)	(4,551,477.49)
Other current liabilities	(5,383,018.19)	11,174,570.64
Net cash provided from (used in) operating activities	(440,200,559.36)	215,069,705.38
Cash flows from investing activities		
Pledged deposit at financial institution	(57,862,650.17)	116,469,084.10
Purchase of property plant and equipments	(29,592,123.54)	(69,896,110.50)
Intangible asset (increase) decrease	(2,784,491.50)	-
Guarantee deposit (increase) decrease	(86,869.16)	(278,800.00)
Guarantee deposit - land sale	10,000,000.00	5,000,000.00
Short term loan to other company (increase) decrease	-	250,000.00
Net cash provided from (used in) investing activities	(80,326,134.37)	51,544,173.60

Rich Asia Steel Public Company Limited
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Statement of Cash Flows

For the years ended December 31, 2006 and 2005

	<u>2006 (Baht)</u>	<u>2005 (Baht)</u>
Cash flows from financing activities		
Bank overdrafts and loan from finance institutions		
- increase (decrease)	350,800,980.73	(169,844,002.62)
Payable under hire - purchase increase (decrease)	(5,312,820.00)	(4,211,230.00)
Received advances and loan from related parties	-	376,476,987.00
Repayment advances and loan from related parties	-	(441,035,210.40)
Increase capital	100,000,000.00	-
Premium on shares capital increase (decrease)	118,250,000.00	-
Devidend paid	(50,000,000.00)	-
Net cash provided from (used in) financing activities	<u>513,738,160.73</u>	<u>(238,613,456.02)</u>
Net cash on hand and cash equivalents increase (decrease)	(6,788,533.00)	28,000,422.96
Cash on hand and cash equivalents as at the beginning	<u>35,304,600.81</u>	<u>7,304,177.85</u>
Cash on hand and cash equivalents as at the ending	<u><u>28,516,067.81</u></u>	<u><u>35,304,600.81</u></u>

Additional Information :

1. Cash paid during the period for

Interest paid	39,961,933.61	23,616,885.18
Withholding tax	33,231,473.40	25,407,903.49

2. In 2005 - The Company signed a car (personal car) hire - purchase contracts amounted Baht 1,682,682.00 the first down payment amounted Baht 388,410.00, the remaining balance agreed to be paid 36 periods, each period of Baht 35,952.00

3. In 2006 - The company has received post date cheque for land from Desinchai Co., Ltd. amounted Baht 30,000,000.00 which stated in buying and selling land contract, according to notes to the financial Statement No 8. and has already received of Baht 10,000,000.00

4. in 2006 - The Company signed purchase foreign currency forward contracts with a commercial bank amounted USD 3.09 million. Maturity in 2007

Rich Asia Steel Public Company Limited
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Statement of changes in Shareholders' Equity

For the years ended December 31, 2006 and 2005

(Unit : Baht)

	Share Capital issued and fully paid up	Premium on shares capital	Retained earnings		Total
			Appropriated Legal reserves	Unappropriated	
Beginning balance as of Jan. 1, 2005	400,000,000.00	-	-	75,834,464.64	475,834,464.64
Net profit for the year	-	-	-	15,868,033.13	15,868,033.13
Ending balance as of Dec. 31, 2005	400,000,000.00	-	-	91,702,497.77	491,702,497.77
Beginning balance as of Jan. 1, 2006	400,000,000.00	-	-	91,702,497.77	491,702,497.77
Increase capital (Note 16)	100,000,000.00	118,250,000.00	-	-	218,250,000.00
Devidend paid (Note 17)	-	-	-	(50,000,000.00)	(50,000,000.00)
Legal reserves (Note 18)	-	-	4,585,125.00	(4,585,125.00)	-
Net profit for the year	-	-	-	81,620,749.33	81,620,749.33
Ending balance as of Dec. 31, 2006	500,000,000.00	118,250,000.00	4,585,125.00	118,738,122.10	741,573,247.10

Rich Asia Steel Public Company Limited.

(Former name "Rich Asia Trading (Thailand) Company Limited.")

Notes to the Financial Statements

As at December 31, 2006 and 2005.

1. General Information

1.1 Legal status A juristic person established under Thai law on May 10, 1999, and registered as public company on March 27, 2006, registered number 0107549000050

1.2 Company location

Head office	:	272 Watchannog Lane, Phraram 3 Road, Kwaeng Bangkoleam, Khet Bangkoleam, Bangkok.
Branch 1	:	64/7 Moo 1 Phraram 2 Road, Thambon Khogkrabuo, Amphur Mounsamuthsakorn, Changwat Samuthsakorn .
Branch 2	:	33/8 Moo 5 Tepharak Road, Thambon Bangpleeyai, Amphur Bangplee, Changwat Samuthprakarn.
Branch 3	:	207/1 Moo 3 Thambon Lumsai, Amphur Wangnoi, Changwat Pranakornsiayudhaya
Branch 4	:	116/7 Moo 5 Thambon Pantainorasing, Amphur Mounsamuthsakorn, Changwat Samuthsakorn

1.3 Type of business Distribution of steel pipe and steel products

		<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
1.4 <u>Number of employees</u>	(Persons)	122	89
1.5 <u>Personnel expenses</u>	(Million Baht)	28.45	20.28

2. Significant accounting policies

2.1 Basis for preparation

The Company financial statements were prepared in accordance with the generally accepted accounting principles as determined in the Accounting Act. B.E. 2543 the Accounting Professions Act. B.E. 2547 and in accordance with the determination of the office of the Securities and Exchange Commission on the subject of preparation and presentation of the financial reports.

2.2 Accounting estimation

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates for certain accounting transactions, affecting amounts reported in the financial statements and notes related thereto. Subsequent actual results may differ from these estimates.

2.3 Revenue realization

The Company acknowledges the sales when the products are delivered to the customers.

The Company recognized revenue from rental on period of rental time.

2.4 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and at financial institutions with an original maturity of 3 months and not subject to restriction.

2.5 Allowance for doubtful accounts

Allowances for doubtful accounts are based on historical collection experience.

2.6 Inventories are valued at cost or net realizable value, whichever is the lower, on the following basis :

Finished goods on FIFO basis.

Raw material FIFO basis.

2.7 Investment in immovable property are stated at the lower of cost or fair value.

2.8 Property plant and equipment – net are stated at cost after accumulated depreciation. The depreciation is computed by using the straight-line method over their estimated useful lives as follows:

Building & Construction	20 years
Improvement office building	5 years
Machinery	5 years
Equipment	5 years
Furniture and Equipment	5 years
Vehicle	5 years

2.9 Financial leased

Equipment leasing contract that all risks and returns are transferred to leasee is a financial lease contract. The contract is recorded as asset amounting to net present value of unpaid amount. Lease payment is split into principal and financial expenses in order to maintain interest rate charged on outstanding principal. Obligation, net of financial expenses is recorded as long-term liabilities, while interest expenses are booked in profit and loss through the lease contract.

2.10 Foreign currency conversion

Accounting in foreign currencies are converted to Thai Baht at transaction date. Assets at the end of the period are converted to Thai Baht at the commercial banks average buying rate. Liabilities in foreign currencies are converted to Thai Baht at the commercial banks average selling rate at the end of the period, according to an announcement of the Bank of Thailand.

Gain (Loss) on foreign exchange rate was already included in the statement of income.

2.11 Basic earnings per share

Basic earnings per share is calculated by dividing net profit by the number of weighted-average shares.

$$\frac{\text{Profit for the year}}{\text{Number of weighted-average shares}} = \frac{81,620,749.33}{435,342,465} = 0.19 \text{ Baht/share}$$

Number of weighted – average shares

January 1, 2006 – 24 August 24, 2006 = 400,000,000 share x $\frac{236}{365}$ days = 258,630,137 shares

August 25, 2006 – December 31, 2006 = 500,000,000 share x $\frac{129}{365}$ days = 176,712,328 shares

Total = 435,342,465 shares

3. Cash and cash equivalents consist of :

	<u>2006(Baht)</u>	<u>2005(Baht)</u>
Cash on hand	136,693.75	80,000.00
Bank deposits	<u>28,379,374.06</u>	<u>35,224,600.81</u>
Total	<u>28,516,067.81</u>	<u>35,304,600.81</u>

4. Trade accounts receivable - net consist of :

Trade accounts receivable were classified as follows :

Trade accounts receivable and post-dated cheques – related parties

	<u>2006(Baht)</u>	<u>2005(Baht)</u>
Not due	12,597,452.56	5,243,817.24
Over 1 – 30 days	167,118.00	19,249,103.88
Over 31 – 60 days	-	-
Over 61– 90 days	-	-
Over 90 days	<u>9,904,647.18</u>	<u>9,904,647.18</u>
Sub-total	22,669,217.74	34,397,568.30
<u>Less</u> Allowance for doubtful accounts	<u>9,904,647.18</u>	<u>9,904,647.18</u>
Net	<u>12,764,570.56</u>	<u>24,492,921.12</u>

Trade accounts receivable and post-dated cheques – other

	<u>2006(Baht)</u>	<u>2005(Baht)</u>
Not due	434,539,302.40	203,832,037.62
Over 1 – 30 days	162,856,496.51	477,104,664.61
Over 31 – 60 days	9,162,822.63	-
Over 61– 90 days	-	68,372,251.00
Over 90 days	-	-
Total	<u>606,558,621.54</u>	<u>749,308,953.23</u>

5. Inventories - net consist of

	<u>2006(Baht)</u>	<u>2005(Baht)</u>
Finished goods	216,940,778.63	111,925,790.61
Raw Material	106,237,663.00	243,223,531.52
Goods in transit	<u>149,950,406.78</u>	<u>-</u>
Total	473,128,848.41	355,149,322.13
<u>Less</u> Allowance for loss on devalue	<u>624,548.14</u>	<u>12,040,412.79</u>
Net	<u>472,504,300.27</u>	<u>343,108,909.34</u>

6. Other current assets consist of

	<u>2006(Baht)</u>	<u>2005(Baht)</u>
Prepaid expenses	748,317.56	421,317.35
Debtor-Revenue Department	6,717,136.97	-
Sundry	836,757.77	-
Other	<u>136,251.93</u>	<u>282,154.90</u>
Total	<u>8,438,464.23</u>	<u>703,472.25</u>

7. Pledged deposit at financial institution

The Company has saving deposit at a bank as collateral of P/N and T/R facilities according to notes to the financial statements No.12

8. Investment in immovable property

In the year 2006 and 2005, the Company invested in 9 plots of land included land improvement amounted Baht 39.7 million, 1 plot of land were mortgaged for bank loan amounted Baht 10.0 million

On September 5, 2005, the Company signed a buying and selling contract for 6 plots of land from 9 plots of land mention above amounted Baht 35.0 million. The buyer paid guarantee deposit amounted Baht 5.0 million, the remaining balance of Baht 30.0 million are agreed to pay by installment in term of 5 periods:

Period 1 st	Baht 5.0 million with post-dated cheque on March 5, 2006.
Period 2 nd	Baht 5.0 million with post-dated cheque on August 5, 2006.
Period 3 rd	Baht 5.0 million with post-dated cheque on January 5, 2007.
Period 4 th	Baht 5.0 million with post-dated cheque on June 5, 2007.
Period 5 th	Baht 10.0 million with post-dated cheque on December 30, 2007.

And agreed to transfer the ownership within Dec. 30, 2007.

9. Property plant and equipment – Net consist of

(Unit : Baht)

<u>At Cost</u>	<u>Dec.31, 2005</u>	<u>Increase</u>	<u>Decrease</u>	<u>Dec.31, 2006</u>
Land	48,580,440.00	-	-	48,580,440.00
<u>Less</u> Allowance for impairment of assets	15,672,815.00	-	-	15,672,815.00
Land - net	32,907,625.00	-	-	32,907,625.00
Buildings	31,873,063.10	-	-	31,873,063.10
Construction	1,884,141.98	-	-	1,884,141.98
Improvement office building	-	579,020.85	-	579,020.85
Machinery	67,991,097.45	-	-	67,991,097.45
Tools and equipment	2,326,152.26	2,839,122.51	-	5,165,274.77
Office equipment	3,571,190.09	3,712,228.58	-	7,283,418.67
Vehicles	24,367,557.14	42,056.07	-	24,409,613.21
Building in progress	37,650,469.84	20,677,295.53	-	58,327,765.37
Machinery in progress	-	1,742,400.00	-	1,742,400.00
Total	202,571,296.86	29,592,123.54	-	232,163,420.40
<u>Accumulated Depreciation</u>				
Buildings	5,545,559.07	1,593,653.01	-	7,139,212.08
Construction	113,027.42	94,207.00	-	207,234.42
Improvement office building	-	58,695.26	-	58,695.26
Machinery	15,255,339.70	13,598,216.89	-	28,853,556.59
Tools and equipment	948,081.63	629,443.30	-	1,577,524.93
Office equipment	1,009,940.61	1,015,679.95	-	2,025,620.56
Vehicles	10,326,928.79	4,767,344.04	-	15,094,272.83
Total	33,198,877.22	21,757,239.45	-	54,956,116.67
Net	169,372,419.64			177,207,303.73
Depreciation for the year	15,778,994.99			21,757,239.45

The Company was mortgaged land and buildings as collateral of the loan from a financial institution as mention in notes to the financial statements No. 12

As at Dec. 31, 2006 and 2005, the company assets that had been fully depreciated but still in use at cost Baht 1,081,126.04 and Baht 656,206.60 and accumulated depreciation Baht 1,081,110.04 and Baht 656,195.60 respectively.

On October 12, 2005 the Company acquired pieces of land and on November 11, 2005 the Company assigned Siam Appraisal and Services Co, Ltd. to appraise the value of that land for applying credit facilities from a commercial bank. The estimated value of land was Bath 25,330,000.00, resulted loss on impairment of assets amounting Bath 15,672,815.00 which stated as expense in the Statement of income.

10. Intangible asset consist of :

	<u>Cost</u>	<u>Written off</u>	<u>Dec 31, 2006</u>
Computer program deferred	<u>2,784,491.50</u>	<u>-</u>	<u>2,784,491.50</u>

Computer program is during the systems test and will start to work in 2007.

11. Other non-current assets consist of :

	<u>2006 (Baht)</u>	<u>2005 (Baht)</u>
Guarantee Deposits	<u>402,442.99</u>	<u>315,573.83</u>

12. Overdrafts and loans from finance institutions consist of :

	<u>2006 (Baht)</u>	<u>2005 (Baht)</u>
Trust receipts	497,191,025.07	346,390,044.34
Short-term loans	<u>231,000,000.00</u>	<u>31,000,000.00</u>
Total	<u>728,191,025.07</u>	<u>377,390,044.34</u>

In 2006, the Company obtained credit lines from 2 local commercial banks, representing P/N amounting Baht 231.0 million with interest rate 4.75% - 7.50% per annum, and temporary trust receipt facility from a local commercial bank amounted Baht 600.0 million, and obtained credit line from local commercial bank discounted checks facility amounted Baht 30.0 million, and obtained credit line from a commercial bank overdraft facility amounted Baht 10.0 million by having mortgaged 4 plots of land and buildings of the Company and a plot of land and buildings of a director as collateral and saving deposit amounted Baht 207.0 million as guaranteed to temporary trust receipt and short term loan facility as mention in notes to the financial statements No 7, 8 and 9.

In 2005, the Company obtained credit lines from 2 local commercial banks, representing P/N amounting Baht 31.0 million with interest rate 3.75% - 8.0% per annum, and temporally trust receipt facility from a local commercial bank amounted Baht 481.2 million, and obtained credit line from local commercial bank discounted checks facility amounted Baht 30.0 million, and obtained credit line from a commercial bank overdraft facility amounted Baht 10.0 million by having mortgaged 3 plots of land and buildings of the Company and a plot of land and buildings of a director as collateral and saving deposit amounted Baht 148.86 million as guaranteed to temporary trust receipt and short term loan facility as mention in the notes No 7 , 8 and 9.

13. Guarantee deposit – land sale

As at Dec. 31, 2006 and 2005 the Company received guarantee deposit – land sale from a company amounted Baht 15.0 million and Baht 5.0 million respectively as mention in the notes to financial statements No. 8.

14. Other current liabilities consist of :

	<u>2006 (Baht)</u>	<u>2005 (Baht)</u>
Accrued expenses	9,496,748.20	14,879,766.39
Guarantee deposit – land sale	<u>20,000,000.00</u>	<u>-</u>
Total	<u>29,496,748.20</u>	<u>14,879,766.39</u>

15. Payable under hire-purchase and current portion of long-term-debts

In the year 2005, the Company signed 1 car (personal car) hire-purchase contract amounted Baht 1,682,682.00. The first down payment amounted Baht 388,410.11, the remaining balance agreed to be paid within 36 periods, each period of Baht 35,952.00.

In the year 2004, the Company signed 3 cars (personal cars) hire-purchase contracts amounted Baht 7,070,703.00. The first down payment amounted Baht 1,176,500.00 the remaining balance agreed to be paid within 48 periods, each period of Baht 103,736.00 and the last payment of Baht 914,875.00.

In the year 2003, the Company signed 10 cars (with trailers) hire-purchase contracts amounted Baht 12,889,992.00. The first down payment amounted Baht 3,000,000.00, the remain balance agreed to be paid within 42 periods, each period Baht 235,476.00. And the Company signed a car (personal car) hire-purchase contract amounted Baht 4,212,158.00. The first down payment amounted Baht 968,750 the remaining balance agreed to be paid within 48 periods, each period of Baht 67,571.00.

	<u>2006 (Baht)</u>	<u>2005 (Baht)</u>
Payable under hire-purchase	4,656,060.00	9,968,880.00
<u>Less</u> Deferred Interest on hire-purchases	461,416.93	1,396,702.62
Current portion of long-term-debts	<u>2,781,617.00</u>	<u>4,377,534.31</u>
Payable under hire-purchase – balance	<u>1,413,026.07</u>	<u>4,194,643.07</u>

16. Capital stock

According to the Ordinary Meeting of Shareholders held on March 14, 2006, the Company approved to increase its registered capital to Baht 500.0 million, by issuing 100,000,000 new Common Shares at Baht 1 par value to be offered to the public. In addition, the par value of its Common Shares was also changed from Baht 100 to Baht 1 per share. The capital increase was already registered at The Ministry of Commerce on Mar. 27, 2006.

According to the Board of Directors Meeting held on May 9, 2006, the Company's management committee was authorized to set the share offering date and price, as well as share allocating method to the public and the Company's patronage after getting approval from the Office of Securities and Exchange Commission.

On August 30, 2006, the Company sold increase Common Shares to the public by issuing 100,000,000 new Common Shares at Baht 2.25 per share totaling amount Baht 225,000,000.00. There are premium on share capital amount Baht 125,000,000.00 (Shares selling expense amount Baht 6,750,000.00 had already net to premium on share capital.)

17. Dividend

According to the Ordinary Meeting of Shareholders held on Mar. 14, 2006, approved to pay dividend to the shareholders Baht 12.50 per share amounted Baht 50.0 million and paid to the shareholders on Mar. 15, 2006.

18. Legal reserve

The Company provisioned for the legal reserves under the Civil and Commercial Code of Thailand, the article 1202, at least 5% of net profit for each year and it had been fully appropriated to cover 10% of registered capital. Legal reserves cannot be allocated for dividends.

19. Directors' remuneration

Directors' remuneration paid to directors of the Company was under Section 90 of Public Company Act. Which did not include salaries and related benefits paid to executive directors.

According to the Ordinary Meeting of Shareholders held on Mar. 14, 2006, approved to set directors' remuneration not over Baht 5.0 million a year.

20. Other incomes consist of :

	<u>2006 (Baht)</u>	<u>2005 (Baht)</u>
Rental received	3,144,000.00	3,488,000.00
Interest received	6,932,490.67	495,422.34
Income from transportation	2,016,053.13	2,338,840.32
Other incomes	<u>856,405.99</u>	<u>52,784.06</u>
Total	<u>12,948,949.79</u>	<u>6,375,046.72</u>

21. Other expenses consist of :

	<u>2006 (Baht)</u>	<u>2005 (Baht)</u>
Loss on foreign exchange	339,263.64	-
Loss on disposal of assets	<u>-</u>	<u>132,945.63</u>
Total	<u>339,263.64</u>	<u>132,945.63</u>

22. Provident Fund

The Company and the employees had set up the provident fund under the plan of Tisco pool 2 according to the Provident Fund Act. B.E. 2530. The Company and the employees agreed to contribute to the fund and assigned the authorized fund manager to manage the fund. This fund will be paid to the employees on the resignation according to the fund regulation.

As at December 31, 2006 the Company contributed to the fund amounted Baht 133,073.52

23. Obligations and contingent liabilities

As at December 31, 2006 and 2005.

- 23.1 The Company provided letter of guarantee from a commercial bank for submission to a company for electricity supplies of Baht 800,000 by using directors' saving account guaranteed.
- 23.2 The Company had contingent liabilities on undue letter of credit for goods acquisition amounted Baht 207,227,175.65 and Baht 346,390,044.34 respectively.
- 23.3 As at December 31, 2005, the Company had contingent liabilities on undue checks discounted amounted Baht 21,271,377.04.
- 23.4 As at December 31, 2006, the Company had contingent liability by pledge the undue cheques as collateral of bank loan amounted Baht 87,695,157.88

23.5 The Company signed foreign currency forward contract with a commercial bank amounting USD 3,088,000.00 and USD 3,300,000.00 respectively.

23.6 The Company signed a factory construction contract with a related company and other person as follow :

	<u>2006 (Baht)</u>	<u>2005 (Baht)</u>
A related company	-	5,718,802.00
Other person	1,295,200.00	-

23.7 The Company has made a land rental agreement with a person at Tambon KhogKrabua, Amphur Meung, Changwat Samuthsakorn .for a period of 3 years ending June 1, 2005. The monthly rental is Baht 30,000.00 and renew the contract in the term of 3 years ending June 1, 2008, monthly rental is Baht 100,000.00.

23.8 The Company has made a land rental building and equipment agreement with a related company for a period of 3 years ending November 30, 2007. The monthly rental is Baht 100,000.00.

23.9 The Company has made a office building rental agreement with a company at 2nd and 4th floor no. 272 Watchannog Lane, Phraram 3 Road, Kwaeng Bangkoleam, Khet Bangkoleam, Bangkok for a period of 3 years ending May 31, 2009. In July 2006 The company gave up rental second floor of building. The monthly rental and service fee is Baht 112,200.00 with guarantee deposit amounted Baht 224,400.00.

23.10 The Company has made a office building rental agreement with a company at 5th floor no. 272 Watchannog Lane, Phraram 3 Road, Kwaeng Bangkoleam, Khet Bangkoleam, Bangkok for a period of 3 years ending March 31, 2009. The monthly rental and service fee is Baht 54,400.00 with guarantee deposit amounted Baht 108,800.00.

23.11 The Company signed a subcontract for producing steel products with a related party for 1 year ending August 31, 2006, automaticly renew the contract for 1 year monthly hireling amount was Baht 190,000.00. The volume of production was increased in April 2006, therefore, the two parties had revised the contract for increasing the monthly hireling amount to Baht 300,000.00.

23.12 The Company has made a rental car contract with a company for renting 5 pickup trucks for the period of one year, monthly rental was Baht 126,000.00.

23.13 The Company has made a contract for setting a computer program of ERP with a company in the amount of Baht 3,171,991.50. As at December 31, 2006, the outstanding balance was Baht 387,500.00, which will be paid on the completion date.

24. Financial information by segment

The Company operate in one business sector, i.e. distribution of steel pipe and steel products and in one geographical area i.e. Thailand base upon the location of the operation. Thus, all income, profit and assets as reflected in the financial statements were related to the said business sector.

25. Financial instruments

25.1 Policy to manage financial risks

The Company obtains risk on the fluctuation of the interest and foreign currency exchange rate in the market. The Company has no policy to hold financial instruments for the purpose of speculation or trade.

25.2 Risk on interest rate

Risk on interest rates is derived from fluctuation of interest rates in the market which affects upon operation result and the cash flow. The Company risks from rate of interest in deposits at financial institutions, bank overdrafts and loan from banks promissory notes to the financial institutions.

Owing to whole amount assets and liabilities were short-term in the fixed interest rate, which closed to the market and present rate, and not necessary to derive risks.

25.3 Risks on exchange rates

The Company obtains risks from foreign currency exchange rate due to the Company constituting transactions liabilities and loan which the Company has hedged foreign currencies in the forward contract against to risk.

As at December 31, 2006 and 2005, the Company has constitutions foreign currencies liabilities as follows:

<u>Foreign currency</u>		<u>Converted to Baht</u>	
<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
US\$ <u>3,088,000.00</u>	US\$ <u>3,300,000.00</u>	<u>111,849,960.00</u>	<u>134,921,160.00</u>

25.4 Credit Risk

The Company obtains credit risk to trade debts. However, the mainly customers of the Company were capability repayment. As result, the Company do not anticipate any indemnity arising from uncollectability beyond allowance for doubtful accounts receivable.

25.5 Fair value

Owing to mainly financial assets were classified under short-term type and interest of loan are close to the rate of market. As result, book values of such financial assets and liabilities do not materially differ from fair value.

26. Related parties Transactions

The Company has significant transactions with its related parties by shareholder and/or joint directors, such transactions are sales purchases and expenses. The transactions, were according to the conditional on contracts or joint commitment in inter-company and those related parties are as follows :

- Sales are in normal business at the market price which are comparable to those incurred with the third parties.
- Purchases are in normal business at the market price which are comparable to those incurred with the third parties.
- Acquisition of assets are joint commitment with the condition of normal trading are comparable to those incurred with the third parties.
- Transportation and cutting service charges are in normal business at the market price which are comparable to those incurred with the third parties.
- Office rental charges are joint commitment rate which are comparable to other renters.
- Interest paid for loan from director at the interest rate lower than bank's rate (MLR minus 3.0 – 3.25).

Type of its related parties

Target Steel Co., Ltd.	- Joint directors. (The company gave up it's business on Sept. 30, 2005)
Siam Ferro Industry Co., Ltd.	- Director of company is executive planner for restructure company.
Tantivirun F.M. holding Co., Ltd.	- Closed cousin of executive officer are director and shareholders.
G.T. Steel Works Co., Ltd.	- Closed cousin of executive officer are director and shareholders.
Genius Tech Trading Co., Ltd.	- Shareholder in G.T. Steel Works Co., Ltd. and closed cousin are major shareholders.
Team Vis Construction Co., Ltd.	- Director of company is director and shareholder.
Sahakol Lohakij Ltd. Part.	- Joint shareholders.
Chaisupon Co., Ltd.	- Closed cousin of executive officer are director and shareholders.
Mahalap Metal Co., Ltd.	- Closed cousin of executive officer are director and shareholders.
Harnsawat Ltd. Part.	- Closed cousin of executive officer are director and shareholders.
P.A.P Exim Co., Ltd.	- Closed cousin of executive officer are director and shareholders.
Thanasub Paisarn Co., Ltd.	- Closed cousin of executive officer are director and shareholders.
A.T. Steel Co., Ltd.	- Closed cousin of director are director and shareholders.
Chaichana Steel Co., Ltd.	- Joint directors. (at present are retired.)
Empire Steel Center Co., Ltd.	- Joint directors. (at present are retired.)

The balance with related parties are as follows :

<u>Trade accounts receivable and post-dated checks</u>	<u>2006 (Baht)</u>	<u>2005 (Baht)</u>
Chaichana Steel Co., Ltd.	-	448,309.41
P.A.P Exim Co., Ltd.	1,614,963.64	3,778,865.43
Mahalap Metal Co., Ltd.	-	181,584.03
Chaisupon Co., Ltd.	391,608.06	-
G.T. Steel Works Co., Ltd.	-	9,200.00
Empire Steel Center Co., Ltd.	10,757,998.86	20,074,962.25
Thanasub Paisarn Co., Ltd.	<u>9,904,647.18</u>	<u>9,904,647.18</u>
Total	22,669,217.74	34,397,568.30
<u>Less Allowance for doubtful accounts</u>	<u>9,904,647.18</u>	<u>9,904,647.18</u>
Net	<u>12,764,570.56</u>	<u>24,492,921.12</u>

<u>Trade accounts payable and check payment</u>	<u>2006 (Baht)</u>	<u>2005 (Baht)</u>
Siam Ferro Industry Co., Ltd.	437,766.71	7,909,551.07
Genius Tech Trading Co., Ltd.	133,300.00	43,950.00
G.T. Steel Works Co., Ltd.	<u>99,189.00</u>	<u>-</u>
Total	<u>670,255.71</u>	<u>7,953,501.07</u>
<u>Unearned revenue on goods</u>		
Genius Tech Trading Co., Ltd.	<u>-</u>	<u>128,971,962.62</u>
<u>Accrued interest</u>		
3 shareholders	<u>-</u>	<u>3,551,007.61</u>
<u>Accrued expenses</u>		
Siam Ferro Industry Co., Ltd.	-	112,636.10
A.T. Steel Co., Ltd.	655.71	-
Chaichana Steel Co., Ltd.	<u>321,000.00</u>	<u>-</u>
Total	<u>321,655.71</u>	<u>112,636.10</u>

Revenue and expense occurred with related parties as follows :

<u>Sales</u>	<u>2006 (Baht)</u>	<u>2005 (Baht)</u>
Siam Ferro Industry Co., Ltd.	-	237,608.32
Target Steel Co., Ltd.	-	352,110,205.52
Genius Tech Trading Co., Ltd.	167,943,111.79	179,554,748.59
Chaichana Steel Co., Ltd.	8,307,581.06	17,192,760.27
P.A.P Exim Co., Ltd.	60,480,753.70	89,263,566.54
Chaisupon Co., Ltd.	6,677,396.36	7,278,524.55
Mahalap Metal Co., Ltd.	16,187,205.54	10,857,252.30
Harnsawat Ltd. Part.	2,665,158.59	5,288,957.10
G.T. Steel Works Co., Ltd.	-	3,689,216.35
Sahakol Lohakij Ltd. Part	-	2,830,443.45
Team Vis Construction Co., Ltd.	-	726,084.12
Empire Steel Center Co., Ltd.	<u>79,835,667.56</u>	<u>162,841,711.91</u>
Total	<u>342,096,874.60</u>	<u>831,871,079.02</u>
	<u>2006 (Baht)</u>	<u>2005 (Baht)</u>
<u>Cutting revenue</u>		
Empire Steel Center Co., Ltd.	<u>48,000.00</u>	<u>-</u>
<u>Transportation revenue</u>		
Empire Steel Center Co., Ltd.	<u>1,234,262.00</u>	<u>629,472.50</u>
<u>Rental revenue</u>		
Target Steel Co., Ltd.	<u>-</u>	<u>50,000.00</u>
<u>Other income</u>		
Empire Steel Center Co., Ltd.	11,120.00	-
Siam Ferro Industry Co., Ltd.	<u>6,048.23</u>	<u>-</u>
Total	<u>17,168.23</u>	<u>-</u>

<u>Purchases</u>	<u>2006 (Baht)</u>	<u>2005 (Baht)</u>
Genius Tech Trading Co., Ltd.	53,084.11	-
Empire Steel Center Co., Ltd.	786,525.04	-
G.T. Steel Works Co., Ltd.	65,250.00	-
Siam Ferro Industry Co., Ltd.	<u>546,220.00</u>	<u>370,552,737.52</u>
Total	<u>1,451,079.15</u>	<u>370,552,737.52</u>
<u>Assets acquisition</u>		
Team Vis Construction Co., Ltd.	6,270,440.96	478,712.00
Siam Ferro Industry Co., Ltd.	1,000.00	1,363.56
Genius Tech Trading Co., Ltd.	150,074.77	139,677.57
Sahakol Lohakij Ltd. Part	-	13,450,000.00
G.T. Steel Works Co., Ltd.	<u>281,761.68</u>	<u>566,007.23</u>
Total	<u>6,703,277.41</u>	<u>14,635,760.36</u>
<u>Subcontract</u>		
Siam Ferro Industry Co., Ltd.	37,615,597.25	33,210,411.70
Chaichana Steel Co., Ltd.	<u>3,160,000.00</u>	<u>1,770,000.00</u>
Total	<u>40,775,597.25</u>	<u>34,980,411.70</u>
<u>Other expenses</u>		
Siam Ferro Industry Co., Ltd.	10,412,260.09	7,324,000.23
Genius Tech Trading Co., Ltd.	12,757.01	5,004.67
A.T. Steel Co., Ltd.	1,170,763.04	1,174,308.42
G.T. Steel Works Co., Ltd.	<u>715,001.53</u>	<u>367,367.18</u>
Total	<u>12,310,781.67</u>	<u>8,870,680.50</u>
<u>Interest paid</u>		
3 shareholders	<u>-</u>	<u>3,551,007.61</u>

27. Reclassification of accounting items

Items in the financial statement for the year 2005 were classified so that make possible for comparison with those in the financial statement for the year 2006.

28. Financial statements approval

These financial statements are approved by the Company's board of directors.

Certified correct.

..... Director Director