

**(TRANSLATION)**

**REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Shareholders and Board of Directors of **RICH ASIA STEEL PUBLIC COMPANY LIMITED**

I have audited the balance sheets as of December 31, 2008 and 2007 the statements of income, the statements of changes in shareholders' equity and the statements of cash flow for the year then ended of **RICH ASIA STEEL PUBLIC COMPANY LIMITED**. These financial statements are the responsibility of the company's management as to their correctness and the completeness of the presentation. My responsibility is to report on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 as of December 31, 2008 and 2007, the operations and cash flows for the year then ended of **RICH ASIA STEEL PUBLIC COMPANY LIMITED**, respectively in accordance with generally accepted accounting principles.

S.K. ACCOUNTANT SERVICES COMPANY LIMITED

(Somchai Kurujitkosol)

Authorized Auditor No. 3277

Bangkok,

February 27, 2009

**RICH ASIA STEEL PUBLIC COMPANY LIMITED**

**BALANCE SHEETS**

**As of December 31, 2008 and 2007**

		<b>2008</b>	<b>2007</b>
		<b>Baht</b>	<b>Baht</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents Items		15,634,903.76	32,372,609.68
Temporary Investment	(Note 7)	1,553,760.00	37,886,200.00
Accounts and Notes Receivable Other Companies-Net	(Note 8)	778,324,894.10	881,407,176.91
Accounts and Notes Receivable Related Companies-Net	(Note 5.2,9)	1,615,026.30	153,251.69
Inventories-Net	(Note 10)	960,341,866.50	441,112,826.92
Other Current Assets			
Advance Payment - Goods	(Note 11)	643,311,792.48	91,378,135.87
Account Receivable - Revenue Department		67,127,748.73	12,704,772.60
Over Paid Corporate Income Tax		34,936,203.06	-
Account Receivable - Other		12,033,342.23	-
Other		12,060,911.78	7,426,652.30
<b>TOTAL CURRENT ASSETS</b>		<b>2,526,940,448.94</b>	<b>1,504,441,625.97</b>
<b>NON-CURRENT ASSETS</b>			
Pledged Deposit at Financial Institution	(Note 12)	207,000,000.00	230,769,566.67
Property Plant and Equipment - Net	(Note 13)	287,562,359.79	277,702,893.98
Land not used for operation-Net	(Note 14)	21,811,000.00	9,890,000.00
Deposit Payment for Investment	(Note 15)	200,000,000.00	-
Other Non-Current Assets			
Deposit Paid for Land	(Note 16)	-	50,000,000.00
Other		2,882,884.64	2,332,980.44
<b>TOTAL NON-CURRENT ASSETS</b>		<b>719,256,244.43</b>	<b>570,695,441.09</b>
<b>TOTAL ASSETS</b>		<b>3,246,196,693.37</b>	<b>2,075,137,067.06</b>

Notes to the financial statements are an integral part of the above financial statements.

**RICH ASIA STEEL PUBLIC COMPANY LIMITED**

**BALANCE SHEETS**

**As of December 31, 2008 and 2007**

		<b>2008</b>	<b>2007</b>
		<b>Baht</b>	<b>Baht</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Short-Term Loans from Financial Institutions	(Note 17,18)	1,590,810,038.51	1,187,127,287.11
Short-Term Loans from Security Company	(Note 19)	-	24,768,189.89
Accounts and Notes Payable Other Companies		173,164,615.84	179,675,159.99
Accounts and Notes Payable Related Companies	(Note 5.2)	342,120.30	1,014,845.75
Current Portion of Long Term Loans	(Note 20)	9,000,000.00	9,000,000.00
Other Current Liabilities			
Accrued Corporate Income Tax			8,185,614.50
Advance Receivable - Goods		31,411,786.49	149,963.00
Others		24,365,897.24	34,048,394.63
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,829,094,458.38</b>	<b>1,443,969,454.87</b>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Loans from Financial Institutions - Net	(Note 20)	20,250,000.00	29,250,000.00
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>20,250,000.00</b>	<b>29,250,000.00</b>
<b>TOTAL LIABILITIES</b>		<b>1,849,344,458.38</b>	<b>1,473,219,454.87</b>

Notes to the financial statements are an integral part of the above financial statements.

**RICH ASIA STEEL PUBLIC COMPANY LIMITED**

**BALANCE SHEETS**

**As of December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 21,32)		
Authorized Share Capital		
15,000,000,000 Ordinary Share @ 0.10 Baht	1,500,000,000.00	-
1,000,000,000 Ordinary Share @ 1.00 Baht	-	1,000,000,000.00
Issued and Paid-up Share Capital		
10,000,000,000 Ordinary Share @ 0.10 Baht	1,000,000,000.00	-
500,000,000 Ordinary Share @ 1.00 Baht	-	500,000,000.00
Premiums on Share Capital	571,791,672.96	72,291,672.96
Retained Earnings(Deficit)		
Unappropriated	(174,939,437.97)	29,625,939.23
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,396,852,234.99</b>	<b>601,917,612.19</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>3,246,196,693.37</b>	<b>2,075,137,067.06</b>

Notes to the financial statements are an integral part of the above financial statements.

**RICH ASIA STEEL PUBLIC COMPANY LIMITED**

**INCOME STATEMENTS**

**For the Years ended on December 31, 2008 and 2007**

		<b>2008</b>	<b>2007</b>
		<b>Baht</b>	<b>Baht</b>
Sales		4,550,652,102.17	4,552,822,499.24
Cost of Goods Sold		(4,305,096,482.37)	(4,362,698,604.51)
Loss from Declining in Value of Inventories		(257,141,655.12)	(860,109.25)
<b>Gross Profit(Loss)</b>		<b>(11,586,035.32)</b>	<b>189,263,785.48</b>
Other Revenue from Debt Repayment Receipt from			
Management instead of Trading Account Receivable	(Note 8)	58,151,017.66	47,371,959.50
Others Income		45,278,712.62	36,181,056.55
Selling and Administrative Expenses		(167,049,477.12)	(102,098,286.08)
(Doubtful Debt) and Reversal	(Note 8)	2,000,000.00	(180,066,769.11)
Interest and Financial Expenses		(131,359,595.04)	(64,307,993.50)
<b>PROFIT(LOSS) BEFORE CORPORATE INCOME TAX</b>		<b>(204,565,377.20)</b>	<b>(73,656,247.16)</b>
CORPORATE INCOME TAX	(Note 26)	-	(18,486,312.28)
<b>NET PROFIT(LOSS)</b>		<b>(204,565,377.20)</b>	<b>(92,142,559.44)</b>
 BASIC EARNINGS(LOSS) PER SHARE (BAHT)		 (0.02)	 (0.02)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (SHARES)	(Note 23)	8,893,442,623	5,000,000,000

Notes to the financial statements are an integral part of the above financial statements.

**RICH ASIA STEEL PUBLIC COMPANY LIMITED**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the Years ended on December 31, 2008 and 2007**

		ISSUED AND	PREMIUMS	RETAINED EARNINGS(DEFICIT)		TOTAL
		PAID-UP SHARE	ON SHARE	APPROPRIATED	UNAPPROPRIATED	
		CAPITAL	CAPITAL	LEGAL RESERVE		
		Baht	Baht	Baht	Baht	Baht
<b>Balance as of December 31, 2007</b>		<b>500,000,000.00</b>	<b>72,291,672.96</b>	-	<b>29,625,939.23</b>	<b>601,917,612.19</b>
Increase capital	(Note 21)	500,000,000.00	499,500,000.00	-	-	999,500,000.00
Net profit(loss) for the period		-	-	-	(204,565,377.20)	(204,565,377.20)
<b>Balance as of December 31, 2008</b>		<b>1,000,000,000.00</b>	<b>571,791,672.96</b>	-	<b>(174,939,437.97)</b>	<b>1,396,852,234.99</b>
<b>Balance as of December 31, 2006</b>		<b>500,000,000.00</b>	<b>118,250,000.00</b>	<b>4,585,125.00</b>	<b>121,225,046.63</b>	<b>744,060,171.63</b>
Dividend paid	(Note 22)	-	-	-	(50,000,000.00)	(50,000,000.00)
Legal reserves	(Note 22)	-	-	4,082,000.00	(4,082,000.00)	-
Transfer Premiums on Share Capital to Compensate						-
Accumulated loss	(Note 24)	-	(45,958,327.04)	-	45,958,327.04	-
Transfer Legal reserves to Compensate Accumulated loss	(Note 24)	-	-	(8,667,125.00)	8,667,125.00	-
Net profit(loss) for the period		-	-	-	(92,142,559.44)	(92,142,559.44)
<b>Balance as of December 31, 2007</b>		<b>500,000,000.00</b>	<b>72,291,672.96</b>	-	<b>29,625,939.23</b>	<b>601,917,612.19</b>

Notes to the financial statements are an integral part of the above financial statements.

**RICH ASIA STEEL PUBLIC COMPANY LIMITED**

**CASH FLOW STATEMENTS**

**For the Years ended on December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit(Loss)	(204,565,377.20)	(92,142,559.44)
Adjustments to Net Profit(loss) for Cash Provided (Used) from Operation:		
Depreciation	34,681,635.19	22,615,201.75
Doubtful Debt (Reversal)	(2,000,000.00)	180,066,769.11
Amortisation of Prepaid Expenses	2,229,886.75	109,072.23
Amortisation of Intangible Asset	342,055.91	199,999.89
(Gain)Loss from Unrealized of Investment in Trading Security	307,515.00	11,503,628.00
(Gain)Loss from Sale of Investment in Trading Security	35,424,622.34	(1,696,467.34)
Gain from Sale of Investment in Property	-	(3,734,812.40)
Gain from Sale of Property, Plant and Equipment	(7,703,961.02)	(8,574.73)
Unrealized (Gain)Loss on Exchange Rate	18,820,458.00	262,971.78
Loss from Impairment of Land not used for operation	5,502,000.00	-
Loss from Declining in Value of Inventories	257,141,655.12	860,109.25
Interest Revenue	(21,441,953.93)	(15,483,281.14)
Interest Expenses	75,738,218.54	60,098,650.15
Interest Expenses under Financial Lease Agreement	49,497.93	411,919.00
Corporate Income Tax	-	18,486,312.28
Profit from Operating Activities before Change in Operating Assets and Liabilities	194,526,252.63	181,548,938.39
Cash Received from Sale of Temporary Investment	65,216,406.66	8,244,262.00
Cash Payment for Purchase of Temporary Investment	(64,616,104.00)	(55,937,622.66)
(Increase) Decrease in Accounts and Notes Receivable-Other Companies	105,082,282.81	(454,915,324.48)
(Increase) Decrease in Accounts and Notes Receivable-Related Companies	(1,461,774.61)	12,611,318.87
(Increase) Decrease in Inventories	(729,297,938.70)	33,046,195.42
(Increase) Decrease in Advance Payment - Goods	(599,006,412.61)	39,845,298.29
(Increase) Decrease in Accounts Receivable - Revenue Department	(54,422,976.13)	(12,704,772.60)
(Increase) Decrease in Other Accounts Receivable	(4,533,342.23)	-
(Increase) Decrease in Other Current Assets	(7,766,648.17)	607,178.89
Increase(Decrease) in Accounts and Notes Payable-Other Companies	(6,510,544.15)	1,566,107.45
Increase(Decrease) in Accounts and Notes Payable-Related Companies	(672,725.45)	292,225.69
Increase (Decrease) in Advance Receipt for Goods	31,261,823.49	149,963.00
Increase(Decrease) in Other Current Liabilities	(9,745,181.92)	19,047,415.80
Cash Payment Corporate Income Tax and Withholding Tax	(43,121,817.56)	(16,572,570.85)
Cash Received in Interest Revenue	22,374,123.70	16,932,964.43
<b>Cash Provided(Used) from Operating Activities - Net</b>	<b>(1,102,694,576.24)</b>	<b>(226,238,422.36)</b>

Notes to the financial statements are an integral part of the above financial statements.

**RICH ASIA STEEL PUBLIC COMPANY LIMITED**

**CASH FLOW STATEMENTS**

**For the Years ended on December 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Increase) Decrease in Pledged Deposit at Financial Institution	23,769,566.67	(23,769,566.67)
(Increase) Decrease in Non Other Current Assets	(1,267,960.11)	(424,930.84)
Cash Received from Sale of Investment in Property	-	18,547,248.00
Cash Payment for Deposit Payment for Investment	(200,000,000.00)	-
Cash Received from Sale of Property, Plant and Equipment	543,684.58	11,401.87
Cash Payment for Deposit for Purchased Land	-	(50,000,000.00)
Cash Payment for Purchased of Property, Plant and Equipment	(11,927,824.56)	(123,222,691.37)
<b>Cash Provided(Used) from Investing Activities - Net</b>	<b>(188,882,533.42)</b>	<b>(178,858,539.01)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase (Decrease) in Short-Term Loans from Financial Institution	384,862,730.58	458,936,262.04
Increase (Decrease) in Short-Term Loans from Security Company	(24,768,189.89)	24,768,189.89
Increase (Decrease) in Long -Term Loans from Financial Institution	(9,000,000.00)	38,250,000.00
Increase (Decrease) in Liabilities under Financial Lease Agreement	(1,462,524.00)	(3,193,536.00)
Cash Payment in Interest Expenses	(74,292,175.77)	(59,807,412.69)
Cash Received from Premiums on Share Capital	499,500,000.00	-
Cash Received from Increasing Capital	500,000,000.00	-
Dividend Paid	-	(50,000,000.00)
<b>Cash Providend (Used) from Financing Activities - Net</b>	<b>1,274,839,840.92</b>	<b>408,953,503.24</b>
<b>Effect from Changes in Exchange Rate of Cash and Cash Equivalent Items</b>	<b>(437.18)</b>	<b>-</b>
<b>CASH AND ITS EQUIVALENT INCREASE (DECREASE)-NET</b>	<b>(16,737,705.92)</b>	<b>3,856,541.87</b>
<b>CASH AND ITS EQUIVALENT ITEMS AT BEGINNING OF THE PERIOD</b>	<b>32,372,609.68</b>	<b>28,516,067.81</b>
<b>CASH AND ITS EQUIVALENT ITEMS AT ENDING OF THE PERIOD</b>	<b>15,634,903.76</b>	<b>32,372,609.68</b>
<b>Non-cash items which are not shown in cash flows</b>		
- Fixed Asset Increases from Transfer Deposit for Purchase Land plus Property	50,000,000.00	-
- Fixed Asset Increases from Transfer Advance Payment for Purchase Fixed Asset	376,000.00	-
- Other Account Receivable Increases from Sales of Fixed Asset	7,500,000.00	
- Purchases Assets in Credit	-	8,232,832.83
- Fixed Asset Decrease from Transfer out into Land not used for operation	(17,423,000.00)	-

Notes to the financial statements are an integral part of the above financial statements.

# **RICH ASIA STEEL PUBLIC COMPANY LIMITED**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2008 and 2007**

### **1. General Information**

The Company has registered in accordance with the Civil and Commercial Law Code that is juristic person in type of Company Limited since May 10, 1999, registered number 0107549000050 and registered as public company on March 27, 2006

- Head office 272 Watchannog Lane, Phraram 3 Road, Kwaeng Bangkoleam, Khet Bangkoleam, Bangkok.
- Branch1 64/7 Moo 1 Phraram 2 Road, Thambon Khogkrabuo, Amphur Mounsamuthsakorn, Changwat Samuthsakorn.
- Branch2 33/8 Moo 5 Tepharak Road, Thambon Bangpleeyai, Amphur Bangplee, Changwat Samuthprakarn.
- Branch3 207/1 Moo 3 Thambon Lumsai, Amphur Wangnoi, Changwat Pranakornsriyudhaya.
- Branch4 116/7 Moo 5 Thambon Pantainorasing, Amphur Mounsamuthsakorn, Changwat Samuthsakorn.
- Branch5 141/3-4 Moo 3 Thambon Bangprong, Amphur Mounsamuthprakarn, Changwat Samuthprakarn.

The Company operated the distribution of steel pipe, scrap and steel products.

### **2. The Basis of Preparation of the Financial Statements**

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been in accordance with Thai Accounting Standards No.35 (revised 2007) Presentation of Financial Statements 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 The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

- 2.3 In order to prepare the financial statement to comply with generally accepted accounting standards, the company's management had to make some estimates and suppositions which may have an effect on the amount shown for revenue, expenses, assets and liabilities and also on the disclosures concerning assets and contingent liabilities, therefore the actual result may differ the estimated amount.
- 2.4 For the convenience of the user, and English translation of the financial statements has been prepared from the financial statements that are issued in the Thai language.
- 2.5 The financial statements for the year ended on December 31, 2007, have been reclassified in order to facilitate comparative with the financial statements for this period, which previously have no effect on the net profit (loss) or shareholders' equity of the report, as follows:

		Amount <u>'000 Baht</u>
Investment in Property	Decrease	(17,423)
Land not used for Operation	Increase	17,423
Interest and Financial Expenses	Increase	4,209
Selling and Administrative Expenses	Decrease	(4,209)

### **3. Announced to Apply Adoption of Accounting Standards and New Accounting Standards.**

- 3.1 Adoption of Accounting Standards and New Accounting Standards which are effective for the current year.

TAS 25 (revised in 2007)	Cash Flow Statements
TAS 29 (revised in 2007)	Leases
TAS 31 (revised in 2007)	Inventories
TAS 33 (revised in 2007)	Borrowing Costs
TAS 35 (revised in 2007)	Presentation of Financial Statements
TAS 39 (revised in 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised in 2007)	Interim Financial Statements
TAS 43 (revised in 2007)	Business Combination
TAS 49 (revised in 2007)	Construction Contracts
TAS 51	Intangible Asset

Applying for the new released and revised accounting standards do not impact significantly to the financial statements of the Company.

### 3.2 Adoption of Accounting Standards which are not effective for the current year.

TAS 36 (revised in 2007) Impairment of Asset

TAS 54 (revised in 2007) Non-Current Asset for Sale and discontinuing operations

Applying for the accounting standards in above are effective for the accounting periods beginning on or after January 1, 2009. However, the Management assessed that the standards shall not impact significantly to the financial statements being presented.

## 4. Summary of Significant Accounting Policies

### 4.1 Recognition of revenues

- Revenue from sales is recognized when goods are delivered to customers.
- Service incomes is recognized when service are provided to customer.
- Revenue of rental is recognized in accordance with the period of rent contract.
- Revenue of interest receivable is recognized in accordance with the period of receipt which is computed from outstanding principle.

### 4.2 Recognition of expenses

- Expenses are recognized on accrual basis.

### 4.3 Cash and cash equivalents

Cash and cash equivalents include bank deposit in saving account, current account and not over 3 months fixed account with not obligations.

### 4.4 Accounts receivable, other accounts receivable and allowance for doubtful debt

Accounts receivable and other accounts receivable are valued at net realizable value. For allowance for doubtful debt accounts, estimated from those accounts which are likely to be uncollectible.

### 4.5 Temporary investment

Temporary investment is investment in marketable security which the Company holds as trading security is reflected by fair value. The fair value of registered security is computed as of the date in the balance sheet from the latest price offered of The Stock Exchange of Thailand. The Company recognizes the change of investment value as gain (loss) transaction in the statement of income, for the cost of investment disposed during the period computed according to the average method.

#### 4.6 Inventory

Inventories are stated at the lower of cost or net realizable value. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charge, less all attributable discounts, allowances or rebates. The cost of finished goods and comprises raw materials, direct labour, other direct costs and related production overheads, the latter being allocated on the basis of normal operating activities. Cost of raw materials, spare part and finished goods is calculated using the MOVING AVERAGE method.

The Group estimates the net realizable value by using the selling price in the ordinary course of business less selling expenses.

#### 4.7 Land not used for operation

Land not used for operation is recorded at cost on date the transaction occurs after deduction of allowance for impairment (if any).

#### 4.8 Property, plant and equipment

Property, plant and equipment are recorded at cost on the transaction date less accumulated depreciation. Depreciation is calculated on a straight-line basis over the approximate useful life as follows:

- Building & Construction	20 years
- Machine	5 - 10 years
- Improvement office building	5 years
- Office Equipment	5 years
- Furniture and Equipment	5 years
- Vehicles	5 years

The Company did not carry depreciation for land and asset being construction.

Expenditure in respect of extension, life renewal or asset improvement which causes the present replacement price increased materially. It will combine as cost of asset. Regarding repairing fee and maintenance, it is recognized as expense in the incurred accounting period.

Gain or loss from disposal of property, plant and equipment is computed from discrepancy between net cash received and book value and recognized as other revenue or other expense in the statement of income.

#### 4.9 Intangible asset

Intangible Asset, type of computer software which included in other non-current assets account is valued at cost on the transaction date deducted accumulated amortization; amortization is calculated by reference to its cost on a straight line method over the 5 years useful life.

#### 4.10 Impairment

Impairment of outstanding book value of asset is revised as of the balance sheet date as to whether there is indication of impairment or not. If there is indication, realizable asset value will be estimated. Loss from impairment will be recognized when book value of asset or book value of asset unit which generates cash higher than net realizable value. Loss from impairment is recorded in the statement of income.

##### Calculation of recoverable amount

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

##### Reversals of impairment

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount by impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. All reversals of impairment losses are recognized as revenue in the statement of income.

#### 4.11 Accounting for leases

- Where the Group is the lessee

Long term leases which substantially transferred all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of income over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The

assets acquired under finance leases while depreciation is carried throughout the useful life of leased asset. However, if there is uncertainty in the right of ownership when the contract is terminated, depreciation is carried according to useful life of leased assets or life of leased contract whichever the period is lower.

Long term leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operation leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lesser by way of penalty is recognized as an expense in the period in which termination takes place.

- Where the Group is the lesser

#### Operating leases

Assets that are leased under the operation leased contract are reflected under the caption of plant and equipment in the balance sheet and depreciation is amortized throughout the useful life of assets by the same basis that used with the transaction of plant and equipment which there are alike nature as that of the Company.

#### 4.12 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

#### 4.13 Employees benefit

The Company is recognized salary, wage, bonus, social security fund, staff provident fund and provident fund are expense on date the transaction occur.

#### 4.14 Loan

Loan is initially recognized by fair value of the remuneration received deducted by cost of transactions preparation incurred. Later, loan value is measured by amortization of cost price method. The discrepancy between remuneration (deducted by cost of transaction preparation incurred) when compared against the repayable value to repay debt will be recognized in the statement of income throughout the loan period in accordance with the straight line method.

#### 4.15 Foreign currencies

Items denominated in foreign currencies are recorded in Baht at the prevailing exchange rate when the transactions occur, and their balances of assets and liabilities at the ended of period are converted into Baht by closing rate which is the prevailing exchange rate on that date. Profit or loss arising from such conversion is shown as revenues or expenses in the income statements.

#### 4.16 Financial instruments

Financial instruments; financial assets carried on the balance sheets include cash and bank deposit, investment, and accounts receivable, financial liabilities carried on the balance sheets include accounts payable, loan. The particular accounting policies adopted for each items are disclosed in each individual section.

The Company performed the forward foreign currencies contract so as to hedge against risk from fluctuation of exchange rates. The forward foreign currencies contract will determine exchange rates in the future that foreign currencies asset and liability will receive or has to be repayable. The forward foreign currencies contract as of period end will be computed by fair value and disclosed in the note to the financial statements. In addition, realized gain (loss) incurred from the forward foreign exchange contract will be recorded in the statement of income.

#### 4.17 Earnings(loss) per share

Basic earnings per share is calculated by dividing net profit with the weighted averaged number of issued and paid-up shares. The Company did not calculate the fully-diluted earnings per share since it has no equivalent ordinary shares equivalents.

#### 4.18 The appropriation of retained earnings

The appropriation of retained earnings is attributable to the Public Company Act 2535 (1992). The Company will appropriate retained earnings when it is approved at the shareholders' meeting.

## 5. Inter-Transactions

The Company constitutes important business transaction with the Company and related companies. Such business transactions are complied with trading term and criteria as per mutually agreed between the Company and related companies which is complied with the normal course of business whereby it can be summarized as follows:

### 5.1 Inter – Sales and Expenses

For the Year			
Ended on December 31,			
Pricing	2008	2007	
policy	Baht	Baht	
<u>Inter - Sales</u>			
GENIUS TECH TRADING CO., LTD.	(1)	-	157,345,302.80
P.A.P EXIM CO., LTD.	(1)	54,342,647.78	27,406,605.16
CHAI SUPON CO., LTD.	(1)	15,415,827.45	8,655,063.91
MAHALAP METAL CO., LTD.	(1)	45,944,144.26	13,457,797.14
HARNSAWAT LTD. PART.	(1)	3,316,137.40	2,055,318.52
SIAM FERRO INDUSTRY CO., LTD.	(1)	95,803.74	25,625.75
G.T. STEEL WORKS CO., LTD.	(1)	297,854.20	216,597.20
Total		119,412,414.83	209,162,310.48
<u>Inter – Other revenue from debt repayment</u>			
<u>Receipt from management instead of trading</u>			
<u>Account receivable</u>			
MISS ANGKAKARN TANTIVIROON	(2)	58,151,017.66	47,371,959.50
Total		58,151,017.66	47,371,959.50
<u>Inter – Interest Revenue</u>			
MISS ANGKAKARN TANTIVIROON	(2,3)	7,848,982.34	6,628,040.50
Total		7,848,982.34	6,628,040.50
<u>Inter – Transportation Revenue</u>			
SIAM FERRO INDUSTRY CO., LTD.	(4)	-	1,000.00
G.T. STEEL WORKS CO., LTD.	(4)	2,803.74	8,000.00
Total		2,803.74	9,000.00
<u>Other Income</u>			
SIAM FERRO INDUSTRY CO., LTD.	(5)	-	6,975.89
Total		-	6,975.89

		For the Year	
		Ended on December 31,	
	Pricing	2008	2007
	policy	Baht	Baht
<u>Inter – Purchases</u>			
SIAM FERRO INDUSTRY CO., LTD.	(1)	-	27,880.00
GENIUS TECH TRADING CO., LTD.	(1)	34,667,046.73	21,033,294.40
Total		34,667,046.73	21,061,174.40
<u>Inter – Assets Acquisition</u>			
TEAM VIS CONSTRUCTION CO., LTD.	(5)	-	791,586.00
		-	791,586.00
<u>Inter – Subcontract</u>			
SIAM FERRO INDUSTRY CO., LTD.	(4)	14,469,248.68	22,389,155.90
G.T. STEEL WORKS CO., LTD.	(4)	192,108.26	-
GENIUS TECH TRADING CO., LTD.	(4)	5,943.93	-
Total		14,667,300.87	22,389,155.90
<u>Inter – Directors’ Remuneration</u>			
DIRECTORS	(6)	700,000.00	760,000.00
Total		700,000.00	760,000.00
<u>Inter – Other Expenses</u>			
SIAM FERRO INDUSTRY CO., LTD.	(5)	3,518,784.39	5,034,670.55
A.T. STEEL CO., LTD.	(5)	1,177,489.85	1,187,315.29
G.T. STEEL WORKS CO., LTD.	(5)	279,345.79	981,043.46
GENIUS TECH TRADING CO., LTD.	(5)	424,202.80	362,347.87
MISS ANGKAKARN TANTIVIROON	(5)	43,616.00	-
Total		5,443,438.83	7,565,377.17

Pricing policy is determined in accordance with the criteria as follows:

- (1) Price which can be comparative against outside parties.
- (2) Accordance with the minute of the board of directors meeting.
- (3) Interest rate 8.00% per annum.
- (4) Price is complied with the prices in accordance with the contract.
- (5) Price is complied with the prices which are mutually agreed upon.
- (6) Accordance with the annual general meeting of the shareholders.

## 5.2 Inter – Assets and Liabilities

	As of December 31, 2008 Baht	As of December 31, 2007 Baht
<u>Inter – Accounts and Notes Receivable</u>		
G.T. STEEL WORKS CO., LTD.	-	24,375.00
MAHALAP METAL CO., LTD.	708,410.00	88,104.69
SIAM FERRO INDUSTRY CO., LTD.	-	1,140.00
HARNSAWAT LTD. PART.	-	39,632.00
THANASUB PAISARN CO., LTD.	9,904,647.18	9,904,647.18
CHAI SUPON CO., LTD.	613,741.30	-
P.A.P EXIM CO., LTD.	249,612.00	-
HARNSAWAT LTD. PART.	43,263.00	-
Total	11,519,673.48	10,057,898.87
<u>Less</u> Allowance for Doubtful Debt - THANASUB PAISARN CO., LTD.	(9,904,647.18)	(9,904,647.18)
Net	1,615,026.30	153,251.69
<u>Inter – Accounts and Notes Payable</u>		
SIAM FERRO INDUSTRY CO., LTD.	342,120.30	978,954.75
GENIUS TECH TRADING CO., LTD.	-	35,891.00
Total	342,120.30	1,014,845.75
<u>Inter – Other Accounts</u>		
MISS ANGKAKARN TANTIVIROON	5,400.00	-
Total	5,400.00	-
<u>Inter - Accrued Expenses</u>		
SIAM FERRO INDUSTRY CO., LTD.	63,742.42	133,341.39
GENIUS TECH TRADING CO., LTD.	-	97,156.00
G.T. STEEL WORKS CO., LTD.	-	161,998.00
MISS ANGKAKARN TANTIVIROON	8,825.00	-
Total	72,567.42	392,495.39

### 5.3 The Company's Relationship

Consist of:

<u>Name</u>	<u>Activities</u>	<u>Relationship</u>
SIAM FERRO INDUSTRY CO., LTD.	Engagement of steel production and steel cut -off	Director of company is executive planner for restructure company.
G.T. STEEL WORKS CO., LTD.	Production and distribution of steel	Closed cousin of executive officer are director and shareholders.
GENIUS TECH TRADING CO., LTD.	Production and distribution of steel	G.T. Steel Works Co., Ltd. and closed cousin are major shareholders.
CHAI SUPON CO., LTD.	Distribution of PVC pipes, water, and steel	Closed cousin of executive officer are director and shareholders.
MAHALAP METAL CO., LTD.	Distribution of shape steel	Closed cousin of executive officer are director and shareholders.
HARNSAWAT LTD. PART.	Distribution of shape steel	Closed cousin of executive officer are director and shareholders.
P.A.P EXIM CO., LTD.	Distribution of shape steel	Closed cousin of executive officer are director and shareholders.
THANASUB PAISARN CO., LTD.	Distribution of shape steel	Closed cousin of executive officer are director and shareholders.
A.T. STEEL CO., LTD.	Distribution of line steel	Closed cousin of executive officer are director and shareholders.
MISS ANGKAKARN TANTIVIROON		Chief Executive Officer

### 6. Cash and Cash Equivalents Items

Consist of:

	As of December 31, 2008 Baht	As of December 31, 2007 Baht
Cash	178,486.75	75,454.66
Bank Deposit – Saving Deposit	13,679,043.59	22,988,706.20
Bank Deposit – Current Deposit	1,777,373.42	9,308,448.82
Total	15,634,903.76	32,372,609.68

### 7. Temporary Investment

Consist of:

	As of December 31, 2008 Baht	As of December 31, 2007 Baht
Investment of Trading Security – Cost Value	1,861,275.00	49,389,828.00
Unrealized Gain(Loss) in Investment of Trading Security	(307,515.00)	(11,503,628.00)
Investment of Trading Security – Fair Value	1,553,760.00	37,886,200.00

## 8. Accounts and Notes Receivable Other Companies - Net

An aging analysis of accounts receivable other companies as of December 31, 2008 and 2007 are as follows:

	As of December 31, 2008 Baht	As of December 31, 2007 Baht
Notes Receivable	163,021,053.18	539,952,579.47
Account Receivable		
Within credit term	437,063,560.57	239,727,887.23
Over due 1 to 30 days	40,777,210.08	95,641,505.16
Over due 31 to 60 days	137,352,760.27	6,086,060.05
Over due 61 to 90 days	110,310.00	-
Over due over 91 days	62,000,000.00	180,065,914.11
Total	840,324,894.10	1,061,473,946.02
<u>Less</u> Allowance of Doubtful – Account Receivable	(62,000,000.00)	(180,066,769.11)
Net	778,324,894.10	881,407,176.91

As of December 31, 2007 trade account receivable over due over 91 days in amount of Baht 180.07 million was trade account receivable with inability to call for debt repayment in February 2007. The Company has recorded of allowance of doubtful debt in whole amount. However, The Chief Executive Officer has expressed responsibility to compensate damage to the Company because of the board of directors approved the credit line of selling to such trade account receivable, while there is the term of installment to the Company as installment until the Company will receive repayment in full amount plus interest in the rate of 8% per annum which comply with the minute of the board of directors meeting no. 3/2007 held on April 24, 2007. The Company will record to recognize the amount received in each installment debt repayment from the Chief Executive Officer as other revenue under the caption of “Other Revenue from Debt Repayment Receipt from Management instead of Trading Account Receivable.” For the year ended on December 31, 2008, the Company received principal debt repayment and interest in amount of Baht 58.15 millions and Baht 7.85 millions respectively. (for the years end 2007 principal debt and interest in amount of Baht 47.37 millions and Baht 6.63 millions) includes the cumulative effect received principal debt repayment and interest in amount of Baht 105.52 millions and Baht 14.48 millions respectively. However, in November, 2008, the case prosecution against such account receivable is finalized while the account

receivable constitutes the performance of compromised contract with the Company in the Court. The account receivable requests to repay debt as installment to the Company by amount of Baht 64.00 millions in number of 37 installments. Given the outstanding debt value in amount of Baht 116.07 millions, it is deleted. As a result, as of December 31, 2008, the Company write off account receivable and allowance for doubtful debt in amount of Baht 116.07 millions as bad debt. Moreover, in accordance with the minute of the board of directors meeting no. 8/2008 held on November 13, 2008, the meeting is resolved that when the account receivable constitutes the purpose to obviously compromise with the Company and the chairman of the directors has expressed responsibility to damage of the Company and shareholders which has repaid debt to the Company both the principle and interest by amount of Baht 120 millions which is sufficiently abundant amount. Moreover, when taken to combine with debt balance that account receivable has to repay in accordance with debt compromise, it is the aggregate amount not less than the former debt value of Baht 180.07. Therefore, the meeting is resolved that the chairman of the management directors ceases to repay debt to the Company from the November, 2008 installment forwards.

As of December 31, 2008, some part of post dated cheques in amount of Baht 71.70 millions and some trading account receivable which within credit term in amount of Baht 115.49 millions. The letter is issued to request the postpone of repayment to another approximately 2-3 months, while the account receivable is pleased to repay interest from delay of debt repayment in the rate of 12% per annum. The meeting of the board of directors of the Company no. 20/2008, no.1/2009 and no.2/2009 has considered and approve to postpone repayment according to the account receivable request since it is the account receivable who constitutes the trading with Company for a long time and behavior of repayment of account receivable in 2008 constitutes continuous debt repayment. The management believes that there is no risk that will not receive such debt repayment.

As of December 31, 2008, the Company factored some posted dates cheques receivable in amount of Baht 22.54 millions to discount with one finance institutes according to the note no. 18. The Company still has to take responsibility in the posted dates cheques receivable if the finance institutes cannot collect debt repayment in accordance with such posted dates cheques receivable.

As of December 31, 2007, the Company took posted dates cheques receivable in amount of Baht 77.73 millions to pledge against loan due to merchant bank.

## 9. Accounts and Notes Receivable Related Companies - Net

An aging analysis of accounts receivable related companies as of December 31, 2008 and 2007 are as follows:

	As of December 31, 2008 Baht	As of December 31, 2007 Baht
Notes Receivable	906,616.30	39,632.00
Account Receivable		
Within credit term	365,306.00	113,619.69
Over due 1 to 30 days	343,104.00	-
Over due over 91 days	9,904,647.18	9,904,647.18
Total	11,519,673.48	10,057,898.87
<u>Less</u> Allowance for Doubtful Debt	(9,904,647.18)	(9,904,647.18)
Net	1,615,026.30	153,251.69

## 10. Inventories - Net

Consist of:

	As of December 31, 2008 Baht	As of December 31, 2007 Baht
Finished Goods	902,990,706.00	251,442,434.82
Raw Materials	267,311,364.94	103,617,290.20
Goods-in-Transit	-	86,586,919.81
Spare Part	1,593,352.07	950,839.48
Total	1,171,895,423.01	442,597,484.31
<u>Less</u> Allowance from Declining in Value of Goods	(211,553,556.51)	(1,484,657.39)
Net	960,341,866.50	441,112,826.92

As of December 31, 2008, the Company pledges inventory in amount of Baht 987.08 millions to guarantee against loan from the merchant bank. The Company insures part of inventory comprising the insured capital of Baht 1,694.00 millions and provides the beneficiary from the insurance to one merchant bank in accordance with note no. 17.

As of December 31, 2008 and 2007 allowance from declining in value of inventories are as follows:

	As of December 31, 2008 Baht	As of December 31, 2007 Baht
Allowance for Declining in Value of Inventories- Beginning	(1,484,657.39)	(624,548.14)
<u>Add</u> Allowance increased within Period	(211,553,556.51)	(1,484,657.39)
<u>Less</u> Reversal/Sale within Period	1,484,657.39	624,548.14
Allowance for Declining in Value of Inventories- Ending	<u>(211,553,556.51)</u>	<u>(1,484,657.39)</u>

#### 11. Advance Payment – Goods

Consist of:

	As of December 31, 2008 Baht	As of December 31, 2007 Baht
Advance Payment – Goods – Oversea	250,000,000.00	21,203,280.00
Advance Payment – Goods – Domestic	440,384,548.48	70,174,855.87
<u>Less</u> Allowance from Declining in Value of Inventories	<u>(47,072,756.00)</u>	<u>-</u>
Total	<u>643,311,792.48</u>	<u>91,378,135.87</u>

As of December 31, 2008, the advance payment-oversea in amount of Baht 250.00 millions are advance payment to the overseas inventory distributor for sub-distribution while there is agreed pre-selling prices for such inventory before ordering.

As of December 31, 2008, given part of the advance payment-domestic in amount of Baht 177.57 millions, the Company has cancelled to received inventory in accordance with the purchasing and selling contract with the distributor and requested to refund the advance payment since the distributor cannot find out inventory in accordance with the determination of the inventory delivery. Presently, the Company has refund advance payment in form of post dated cheque from distributor in amount of Baht 177.57 millions.

## 12. Pledged Deposit at Financial Institution

As of December 31, 2008 and 2007, the whole amount is bank deposit in type of saving account by interest rates of 2.25 – 2.50% per annum and 2.00 – 3.75% per annum which is taken to pledge against trust receipt payable and loan in form of promissory note at the merchant bank.

## 13. Property, Plant and Equipment – Net

Consist of:

	Balance As of December 31, 2007 Baht	Increase/ Transfer in Baht	Sale/ Transfer out Baht	Balance As of December 31, 2008 Baht
Cost :				
Land	66,003,440.00	41,537,300.00	(17,423,000.00)	90,117,740.00
Building	107,488,807.02	13,000,000.00	(1,300,000.00)	119,188,807.02
Building & Construction	1,884,141.98	5,360,691.17	-	7,244,833.15
Improvement office building	579,020.85	-	-	579,020.85
Machinery	69,999,172.61	67,414,127.00	(391,000.00)	137,022,299.61
Improvement Machinery	-	9,419,156.01	-	9,419,156.01
Furniture and Equipment	10,075,491.28	4,091,141.27	(80,958.00)	14,085,674.55
Equipment	9,095,291.25	2,205,117.24	(1,859.82)	11,298,548.67
Vehicle	26,331,996.37	-	(9,898,003.14)	16,433,993.23
Building in progress	4,517,871.63	2,076,619.54	(6,594,491.17)	-
Machinery in progress	74,905,836.50	1,927,446.51	(76,833,283.01)	-
<b>Total</b>	<b>370,881,069.49</b>	<b>147,031,598.74</b>	<b>(112,522,595.14)</b>	<b>405,390,073.09</b>
Accumulated Depreciation:				
Building	(10,090,841.89)	(5,881,561.79)	-	(15,972,403.68)
Building & Construction	(301,441.24)	(340,469.38)	-	(641,910.62)
Improvement office building	(174,498.61)	(116,121.25)	-	(290,619.86)
Machinery	(40,568,491.49)	(17,838,426.75)	102,622.98	(58,304,295.26)
Improvement Machinery	-	(1,728,995.58)	-	(1,728,995.58)
Furniture and Equipment	(3,035,538.60)	(2,500,835.31)	30,390.80	(5,505,983.11)
Equipment	(3,620,076.49)	(2,012,702.71)	1,090.48	(5,631,688.72)
Vehicle	(19,714,472.19)	(4,262,522.42)	9,897,993.14	(14,079,001.47)
<b>Total</b>	<b>(77,505,360.51)</b>	<b>(34,681,635.19)</b>	<b>10,032,097.40</b>	<b>(102,154,898.30)</b>
Allowance for Impairment - Land	(15,672,815.00)	-	-	(15,672,815.00)
<b>Net</b>	<b>277,702,893.98</b>			<b>287,562,359.79</b>

## Depreciation for the year

Ended on December 31, 2008	34,681,635.19
Ended on December 31, 2007	22,615,201.75

As of December 31, 2008 and 2007, the Company mortgaged land plus property in book value of Baht 125.73 million and Baht 133.59 million respectively is collateral of loans from the financial institute.

As of December 31, 2008 and 2007, the Company had assets with the depreciation fully calculated but still operate which had a cost value of Baht 19.16 million and Baht 14.52 million respectively. The net book value of which was now Baht 97.00 and Baht 66.00 respectively.

As of December 31, 2007, the Company had apart of vehicle book value of Baht 3.25 million is asset under the financial leased contract. The Company has received ownership in such asset when the Company completely repays debt to creditors in accordance with the financial leased contract.

**14. Land not Used for Operation - Net**

Consist of:

	As of December 31, 2008 Baht	As of December 31, 2007 Baht
Land not used for operation	27,313,000.00	9,890,000.00
<u>Less</u> Allowance for Impairment	(5,502,000.00)	-
Total	<u>21,811,000.00</u>	<u>9,890,000.00</u>

As of December 31, 2008 and 2007, Land not used for operation apart in book value of Baht 6.74 millions. The Company has been taken to pledge so as to be collateral of loan due to the bank in the pledged amount of Baht 10.00 millions.

**15. Deposit Payment for Investment**

In accordance with the board of directors meeting no. 4/2008 held on March 21, 2008, it is unanimously resolved that the board of directors approved the payment of deposit for the study of feasibility to invest in a Thai National Product Co., Ltd. which the company and the seller had signed the memorandum of understanding on March 25, 2008. However, the completeness of investing is dependent on (1) The auditing result of Due Diligence in both legal and in financing and accounting which shall satisfy the Company (2) The performance of the investment contract and (3) the

shareholders of the Company will have to approve to invested. The Company agrees to repay deposit in amount of Baht 200.00 millions to the seller. Moreover, the seller agree to pledge machinery of the seller as collateral to the Company while there is appraised price according to the report of the price appraisal of independent appraiser in amount of Baht 337 Millions. In case that the Company exercises its right to cancel this memorandum, the seller will fully return deposit within 30 days commenced from the date the Company acknowledges cancellation of this memorandum including interest of such deposit at the average rate of MLR interest rate of Bangkok Bank Public Co., Ltd. And Krung Thai Bank Public Co., Ltd. commenced from the date the seller received deposit until the date the deposit is repayable to return. In addition, in case that the seller cannot repay deposit to the Company within the period determined, the Company can enforce the pledge and take machinery guaranteed to sell. The pledge of such machinery, the Company and seller constitute only the pledged contract while the seller did not bring machine to pledge to the registrar of machinery at the Ministry of Industry. However the Company constitutes the period to proceed with memorandum from March 25, 2008 to September 30, 2008.

In accordance with the board of directors meeting minute no. 7/2008 held on August 29, 2008, it is resolved to approve the further period extension of the feasibility study in entering the investment until within December 31, 2008 so that the consideration of investment is circumspect, correct, appropriated and so that the Company receives the highest benefit, while the seller consents with such further period extension.

In accordance with the minute of the board of directors' meeting no. 9/2008 held on December 27, 2008, it is resolved to approve as follows:

- Approve to purchase ordinary shares in Thai National Product Co., Ltd. in number of 26,100.60 millions shares, par value of Baht 0.01 per share, equivalent to the proportion of 100% of ordinary shares issued in the price not exceeding Baht 650.0 millions. The independent financial advisor constitutes the opinion that such investment transaction holds the appropriate reason and it benefits to the Company in the future. There is assessment of share price of such company by present value method of net cash flow while the appropriate price is given equivalent to Baht 687.85 millions.

- Approve to extend the period of share price repayment to the sellers from the former termination of December 31, 2008 to be within June 30, 2009 since presently, the Company is under the request of receiving credit facility support from the finance institutes in order to spend in the share price repayment and to spend as working capital in such project. Moreover, in case that the Company cannot find out financial resource within the period determined, the Company requests to hold the right in the cancellation to perform the share trading transaction with the seller. The seller has to return

deposit payable for investment in amount of Baht200.00 millions to the Company from the former within 30 days to be within 60 days commenced from the date the Company informs the cancellation of transaction performance including cancellation of the whole interest repayment incurred from the date deposit of investment is received from the Company to the date the Company informs cancellation of transaction performance since such request of period extension is the purpose and necessity of the Company. It is not the fault of the seller company. Given the machinery pledge, the seller company still agrees to pledge as collateral with the Company in accordance with the former term.

#### **16. Deposit Paid for Land**

As of December 31, 2007, the whole amount is deposit of land according to the contract of purchase and sale of land plus property. There is the price according to the contract of Baht 55.0 millions in estimated area of 15 Rase. Moreover, if the measurement of the land is completed, the deficit or exceeded area from the above specified, the counter party agrees to the land price on behalf of deficit or exceeded area in Baht 7,000.- per Square War. The remaining balance will be repayable to the seller on the date of land plus property ownership transfer. Presently, the company is already received the ownership in such land on February 15, 2008.

#### **17. Credit Facilities and Guarantee**

The Company has credit line from commercial bank and financial institution in form overdraft, trust receipts, short-term loan and note receivable discount by granted the total credit line as of December 31, 2008 in amount of Baht 1,666.00 million and US Dollars 64.00 million and credit line for forward contract in amount of US Dollars 20.00 million and as of December 31, 2007 in amount of Baht 1,361.00 million and US Dollars 5.37 million. It is pledged by the Company's mortgage register of inventory and land plus property, land plus property of a director, the Company's bank deposit, post dated cheque of a company and guaranteed director.

**18. Short-Term Loans from Financial Institutions**

Consists of:

	As of December 31, 2008 Baht	As of December 31, 2007 Baht
Discount Post Date Cheques	22,536,936.00	-
Trust Receipts	1,157,033,355.47	741,127,287.11
Promissory Note	432,530,135.25	446,000,000.00
<u>Less</u> Deferred Service Fee in Borrowing	(21,290,388.21)	-
Total	<u>1,590,810,038.51</u>	<u>1,187,127,287.11</u>

Service fee of loan finding is service fee derived from short term loan finding so as to use as working capital for the period of one year in amount of Baht 600.00 millions and in amount of USD 64.00 millions while there is amortization as financial expense according to straight line method throughout the period of loan for the period of one year.

As of December 31, 2008, the Company took posted dates cheques receivable to discount with merchant bank is carried by interest rates of 6.75 – 7.25% per annum

As of December 31, 2008 and 2007, trust receipt payable is carried by interest rates of 2.10 – 9.25% per annum and 5.25 – 5.50% per annum respectively. The ownership of merchandise purchased from the contract performance of trust receipt is still belonged to the merchant bank until there will be repayment of trust receipt account payable to the merchant bank.

As of December 31, 2008 and 2007, the whole amount of short term loan from the financial institutes is borrowing in form of promissory note, carried interest rate of 5.50 – 7.25% and 5.10 – 6.86% per annum respectively.

Such above loan from financial institutions constitutes collateral according to note No. 17.

### 19. Short – Term Loans from Security Company

As of December 31, 2007, the whole amount is loan according to the contract of representative appointment and loan borrowing for securities purchase and securities borrowing for short sale in the Credit Balance System with one securities company. There is loan credit line so as to purchase securities including commission in the securities purchase or securities borrowing from securities company for short sale including commission fee in the short sale in the loan value or securities value which are shortly sold at any time not exceeding Baht 25.00 millions. There is interest rates of 6.75% per annum.

### 20. Long Term Loans from Financial Institutions – Net

Consist of:

	As of December 31, 2008 Baht	As of December 31, 2007 Baht
Long Term Loans from Financial Institutions	29,250,000.00	38,250,000.00
<u>Less</u> Current Portion	<u>(9,000,000.00)</u>	<u>(9,000,000.00)</u>
Net	<u>20,250,000.00</u>	<u>29,250,000.00</u>

As of December 31, 2008 and 2007, the loan credit line of Baht 45.00 millions is loan due to one finance institute which the principle is monthly repayable in number 60 installments each of which is Baht 0.75 millions. The first installment is repayable on April 30, 2007. Interest is monthly repayable. Interest is carried in the rate of MLR which during this contract performance, interest rate is 6.75 – 7.25% per annum and 7.00% per annum respectively.

Such above long term loan constitutes collateral by mortgaged land plus property of the Company and directors of the Company.

## 21. Share Capital

Authorized share capital, issued and paid-up share capital have movement as follows:

	Par Value	As of December 31, 2008		As of December 31, 2007	
		Share	Value	Share	Value
	(Baht)	('000 Share)	('000 Baht)	('000 Share)	('000 Baht)
<b>Authorized Share Capital</b>					
Beginning Ordinary Share	1.00	1,000,000	1,000,000	500,000	500,000
<u>Less</u> Decrease Ordinary Share		-	-	-	-
<u>Add</u> Increase Ordinary Shares	1.00	-	-	500,000	500,000
Increase Ordinary Shares	0.10	5,000,000	500,000	-	-
Amendment of Par Value of Share	0.10	9,000,000	-	-	-
Ending ordinary Shares	0.10	15,000,000	1,500,000	1,000,000	1,000,000
<b>Issued and Paid-up</b>					
<b>Share Capital</b>					
Beginning Ordinary Share	1.00	500,000	500,000	500,000	500,000
<u>Less</u> Decrease Ordinary Share		-	-	-	-
<u>Add</u> Increase Ordinary Shares	1.00	500,000	500,000	-	-
Amendment of Par Value of Share	0.10	9,000,000	-	-	-
Ending ordinary Shares	0.10	10,000,000	1,000,000	500,000	500,000

In accordance with the board of directors meeting no. 8/2007 held on October 24, 2007 and minute of extra-ordinary shareholders meeting no. 1/2007 held on December 14, 2007, they are unanimously resolved that registered capital is increased by another 500 millions shares to 1,000 millions shares. New ordinary shares are issued by number of 500 millions shares in par value of Baht 1.00 per share so as to offer to former shareholders in the ratio of one former share over one new share in the price of Baht 2 per share. There is the purpose in order to repay short term loan to the finance institute approximately Baht 300.0 millions. The remaining balance is used as working capital of the Company so as to reserve for business growth in the future. The Company has already registered the increased share capital at the Ministry of Commerce on December 27, 2007.

As of March 21, 2008, the Company sold increase common shares to older shareholder's by issuing another number of 500 millions shares in par value of Baht 2.0 totaling amount Baht 1,000.0 million. There are premium on share capital amount Baht 499.50 million (Net from underwriting expense amount Baht 0.5 million)

In accordance with the minute of general shareholders meeting for the year 2008 held on April 30, 2008, it is unanimously resolved to change par value of ordinary shares of the Company from the former shares value of Baht 1.00 per share to value of Baht 0.10 per share. As a result, the ordinary shares of the company are increased from former 1,000.0 million shares to be 10,000.0 million shares. The company has completed registered the change of par value and number of ordinary shares of the Company including change in Memorandum of Association with Department of Business Development, Ministry of Commerce on May 2, 2008.

In accordance with the minute of extra-ordinary shareholders meeting no. 1/2008 held on June 26, 2008, there is unanimously resolved that registered capital is increased from the former of 10,000 millions shares to 15,000 millions shares by issuing new ordinary shares in number of 5,000 millions shares in par value of Baht 0.10 per share. There is purpose for reserve of warrants issuance which able to purchase ordinary shares of 5,000 millions units. The Company registered the capital increment at the Minister of Commerce on July 10, 2008.

## 22. Dividend Payment and Legal Reserve

In accordance with the minute of Annual General Shareholders' Meeting for the year 2007 which held on April 3, 2007, it is unanimously resolved that the Company appropriates net profit for 2006 as dividend to shareholders in number of 500.0 million shares in the rate of Baht 0.10 per share aggregating to amount of Baht 50.0 million and resolved to appropriate legal reserved amount of Baht 4.08 million while it is repayable on April 24, 2007, whereby the Company has already paid dividend.

## 23. Basic Earning (Loss) Per Share

For the year ended of December 31, 2008, the Company calculated the weighted average number of ordinary share as follows:

<u>Date</u>	<u>Share Capital Issued and Paid-Up Share Capital</u> (‘000 Shares)	<u>Amount Date</u>  For the year ended of December 31, 2008	<u>Weighted average number</u> (‘000 Shares)  For the year ended of December 31, 2008
Jan 1, 2008 – March 21, 2008	5,000,000,000	81	405,000,000,000
March 22, 2008 – December 31, 2008	10,000,000,000	285	2,850,000,000,000
		366	3,255,000,000,000
Weighted average number of ordinary share (‘000 Shares)			8,893,442,623

For the year ended of December 31, 2008 and 2007 calculated the basic earnings (loss) per share as follows:

	For the year ended of December 31	
	2008	2007
Net Profit (Loss) (Baht)	(204,565,377.20)	(92,142,559.44)
Weighted average number of ordinary shares (Shares)	8,893,442,623	-
number of ordinary share after to decrease shares value from 1.0 to 0.10 (Shares)	-	5,000,000,000
Basic earnings(loss) per share (Baht)	(0.02)	(0.02)

#### **24. The Compensation of Accumulated Loss**

In accordance with the resolution of the board of directors meeting no. 9/2007 held on November 13, 2007 and the resolution of the extra-ordinary shareholders meeting no. 1/2007 held on December 14, 2007, they are unanimously resolved that compensation of accumulated loss is approved as of September 30, 2007 in amount of Baht 54.63 millions. The legal reserve in amount of Baht 8.67 millions and premium on share capital in amount of Baht 45.96 millions are taken to compensate against accumulated loss.

#### **25. Directors' Remuneration**

Directors' Remuneration was paid to the company's directors under Section 90 of Public Company Limited Act which did not include salaries and related benefits paid to the company's management directors.

#### **26. Corporate Income Tax**

For the year ended of December 31, 2008, the Company calculates corporate income tax at 25%, which complies with royal decree No.475 to reduce corporate income tax from 30% to 25% of net profit not over Baht 300 million for the 3 consecutively accounting periods commenced from the first accounting period which commenced within or after January 1, 2008, for the listed companies according to the law of securities and securities market. For the year ended of December 31, 2007, the Company calculates corporate income tax at 30%. The Company computed corporate income tax of accounting net profit after adding adjusted transaction in accordance with the Revenue Code which is mainly doubtful debt and loss from declining in value of inventories, etc.

## 27. Expenses by Nature

Expenses by nature items consist of expenses main items are as follows:

	For the years ended on December 31	
	2008	2007
	Baht	Baht
Changing within Work in Process and Finish Goods	(651,548,271.18)	(35,172,730.15)
Raw Material Used	3,607,550,952.16	3,638,935,376.65
Loss from Declining in Value of Inventories	257,141,655.12	860,109.25
Employee expenses	38,800,003.81	29,476,987.68
Depreciation	34,681,635.19	22,615,201.75
Loss from Impairment of Land not used for operation	5,502,000.00	-
(Gain) Loss on Exchange Rate	16,447,577.73	(823,845.91)
(Gain) Loss from Investment in Trading Security	35,732,137.34	9,807,160.66
Doubtful Debt (Reversal)	(2,000,000.00)	180,066,769.11
Selling expenses	25,962,017.65	28,272,153.08
Other expenses	1,359,017,906.79	771,686,586.83
Total	<u>4,727,287,614.61</u>	<u>4,645,723,768.95</u>

## 28. Provident Fund

The Company has been established the provident fund which is managed by external fund manager, that staff and the company has to contribute to the fund at the rate of 2 percent of basic salary according with the funds regulation. This fund is managed by a Financial Institution as a fund manager. The company has payment the provident fund for the year ended on December 31, 2008 and 2007 in amount of Baht 0.25 million and Baht 0.22 million respectively.

## 29. Presentation of Financial Data Segregated by Business Sector

The Company is operate in only one business sector, i.e. distribution of steel pipe and steel products and operate in one geographical area only in Thailand. Thus all income, profit and entire assets shown in the financial statements are related to the said business sector and geographical area.

### 30. Obligations and Contingent Liabilities

30.1 Apart from liabilities shown on the balance sheets as of December 31, 2008 and 2007, the Company still remains other obligations and contingent liabilities with commercial banks as follows :

	As of December 31, 2008	As of December 31, 2007
- Letters of Credit		
Credit Line 600.0 Million, Credit Unused	2.89 Million Baht	64.31 Million Baht
Credit Line US Dollars 64.0 Million, Credit Unused	48.04 Million US Dollars	-
- Letters of Guarantee	2.83 Million Baht	2.79 Million Baht

30.2 The Company holds obligation commitment according to the leased contract as follows:

30.2.1 The Company comprises obligation commitment according to the contract of land lease, contract of sublet of building area, contract of truck lease, contract of automobile lease with other persons, other company and related company. The leased fee and service fee each contract are in the rate of Baht 22,000.00 – Baht 250,000.00 per month. As of December 31, 2008 and 2007, there is total leased fee value that has to repay until contract is completed as follows:

	As of December 31, 2008	As of December 31, 2007
	<u>'000 Baht</u>	<u>'000 Baht</u>
Period not exceeding 1 year	7,752	1,036
Period more 1 year – 5 year	14,432	6,224

30.2.2 The Company constitutes obligation commitment from the contract performance of merchandise maintenance service for the imported merchandise so as to distribute to one other company. The contract carries the life of one year. There are service fee in two credit lines, i.e. monthly, in USD 5,000.00 per month and weekly service fee in USD 1,500 per week. If in case that the merchandise is imported and carried the keeping period exceeding 7 days, the Company will have to repay monthly service fee of USD 3,500 per month.

30.3 The Company comprises obligation commitment according to the contract of labour engagement to produce steel with one related company. The contract holds the life of one year ended on August 31, 2009. It is determined that the life is automatically renewed for the period of 1 year. The engagement fee is in the rate of Baht 350,000.00 per month. As of December 31, 2008 and 2007, the Company holds the total engagement fee which has to fully repay until the contract is complete in amount of Baht 2.80 million, equally for two years.

### 31. Financial Instruments

#### 31.1 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.

#### 31.2 Risk on interest rates

Risk on interest rates is derived from fluctuation of interest rates in the future 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 and the financial institutions.

The Company had assets and liabilities instruments to hedge against this risk as follow :

	Amount		interest rate per annum	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	<u>Million Baht</u>	<u>Million Baht</u>	<u>%</u>	<u>%</u>
Cash in Bank				
Saving	13.68	22.99	0.50 – 0.75	0.50
Fixed	207.00	230.77	2.25 – 2.50	2.25 – 3.75
Trust Receipts Payable	1,157.03	741.13	2.10 – 9.25	5.25 – 5.50
Short-Term Loans from				
Financial Institution	455.07	446.00	5.50 – 7.25	5.10 – 6.86
Short-Term Loans from				
Security Company	-	24.77	-	6.75
Long-Term Loans from				
Financial Institution	29.25	38.25	6.75 – 7.25	6.85 – 7.50

### 31.3 Risk on exchange rates

Risk on exchange rate is risk which is derived from raw material purchased and imported from overseas; as a result, the Company constitutes risk with respect to the change of exchange rate. However, the Company will consider using appropriately financial derivative so as to hedge against such risk when the exchange rate situation holds unstable trend.

As of December 31, 2008 and 2007, the Company has foreign currency liabilities that were not hedged by derivative financial instruments were as follows:

Currencies	Financial Liabilities	
	As of December 31, 2008	As of December 31, 2007
US Dollars	12,231,953.47	2,563,077.81

As of December 31, 2008 and 2007, the Company hedge the risk from foreign currency exchange rate incurred from merchandise acquisition from overseas by performing the forward foreign currency contract as follows:

	As of December 31, 2008	As of December 31, 2007
Credit Limit for Forward Contract	20.00 Million US Dollars	-
Value of Forward Contract – Buy	3.73 Million US Dollars	-
Value of Forward Contract - Buy	131.95 Million Baht	-
Fair Value	130.28 Million Baht	-

Fair value of the forward contract - buy is computed by using rates determined by those counter party bank as of the date in balance sheet.

### 31.4 Credit risk

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

### 31.5 Fair value

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

## 32. Other Information

In accordance with the minute of extra-ordinary shareholders meeting no. 1/2008 held on June 26, 2008, there is unanimously resolved to issue and offer warrants which will purchase ordinary shares of the Company in number of 5,000.0 millions units so as to offer to ordinary shareholders of the Company according to proportion of shareholding in the ratio of 2 ordinary shares to one warrant while the value is not carried. Moreover, it is determined that the right exercise price of warrants is equivalent to Baht 0.40 per share. There is purpose to bring the fund received from right exercise after warrants to purchase ordinary shares of capital increment of the Company are matured which will hold the approximate amount of Baht 2,000.0 millions to repay loan of finance institutes in amount of Baht 1,500.0 millions and remaining amount of Baht 500.0 millions is used as working capital of the Company. Warrants to purchase ordinary shares constitute detail which can be summarized as follows:

- It is the kind of specifying the names of holders and the holders can be changed.
- The age of warrant is 3 years.
- Rights can be exercised on the final business day of May and November of each year throughout the warrants lives. Rights can be firstly exercised in 2009.
- Rights exercised ratio is one unit of warrant is eligible to purchase one ordinary shares.
- The exercised price is Baht 0.40 per share.

Presently, it is under the process for consider to issue warrants to purchase ordinary shares.

## 33. Approval of the Financial Statement

These financial statements have been approved by the Company's Board of directors on February 27, 2009.

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