

RICH ASIA STEEL PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARIES

Financial Statements

For the Years Ended December 31, 2012

and Independent Auditor's Report

BPR AUDIT AND ADVISORY CO., LTD.

Independent Auditors

Independent Auditor's Report

To the Shareholders of Rich Asia Steel Public Company Limited

I have audited the accompanying consolidated and separate financial statements of Rich Asia Steel Public Company Limited and its subsidiaries, and of Rich Asia Steel Public Company Limited, respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2012, the consolidated and separate statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial position as at December 31, 2012 and the financial performance and cash flows for the year then ended of Rich Asia Steel Public Company Limited and its subsidiaries and of Rich Asia Steel Public Company Limited, respectively, in accordance with Thai Financial Reporting Standards.



(Mr. Naris Saowalagsakul)
Certified Public Accountant
Registration No. 5369

BPR AUDIT AND ADVISORY CO., LTD.
Bangkok
February 27, 2013

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

		In Baht					
		Consolidated financial statements			Separate financial statements		
Notes		December 31,2012	December 31,2011	January 1,2011	December 31,2012	December 31,2011	January 1,2011
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	7	7,930,149	14,421,148	18,855,882	3,482,095	14,102,847	14,833,051
Temporary investment	8	213,642	258,960	789,828	213,642	258,960	789,828
Trade and other accounts receivable - other companies	9	1,888,769,979	1,345,398,320	1,872,089,109	1,523,201,059	1,029,620,333	1,713,802,372
Trade and other accounts receivable - related companies	5,10	-	-	-	2,351,734	5,460,745	1,168,541
Short - term loans to subsidiary company	5	-	-	-	-	4,180,000	5,000,000
Inventories	11	441,467,442	407,971,897	316,101,625	363,833,150	295,961,422	284,007,874
Advance payment for goods - net	12	167,854,980	539,381,086	605,529,717	161,575,230	521,127,158	604,970,745
Other current assets		6,022,301	4,474,477	4,431,501	1,045,902	1,975,677	1,363,246
Total current assets		2,512,258,493	2,311,905,888	2,817,797,662	2,055,702,812	1,872,687,142	2,625,935,657
NON - CURRENT ASSETS							
Restricted bank deposit	20,35.1	31,270,191	6,092,401	-	28,062,681	1,174,306	-
General Investment	13	-	-	-	-	-	-
Investment in securities available for sale	14	129,558,173	-	-	129,558,173	-	-
Investment in subsidiary companies	15	-	-	-	1,069,923,957	1,199,191,154	639,477,612
Investment property	16	26,748,000	124,013,612	138,659,981	11,610,205	108,401,544	122,573,640
Property, plant and equipment	17	1,566,019,565	1,696,517,629	755,406,078	93,611,397	105,524,929	127,963,976
Other account receivable - advance payment for goods	18	-	161,235,767	-	-	161,235,767	-
Other long - term accounts receivable		-	-	11,132,885	-	-	-
Retention receivable		14,139,378	11,784,298	23,974,938	-	-	-
Other non - current assets		4,271,440	6,243,537	4,752,482	371,574	535,761	1,836,022
Total non - current assets		1,772,006,747	2,005,887,244	933,926,364	1,333,137,987	1,576,063,461	891,851,250
TOTAL ASSETS		4,284,265,240	4,317,793,132	3,751,724,026	3,388,840,799	3,448,750,603	3,517,786,907

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

		In Baht					
		Consolidated financial statements			Separate financial statements		
Notes		December 31,2012	December 31,2011	January 1,2011	December 31,2012	December 31,2011	January 1,2011
LIABILITIES AND SHAREHOLDERS' EQUITY							
CURRENT LIABILITIES							
Loans that due for repayment	20	1,031,357,753	745,719,505	1,022,229,866	1,031,357,753	745,719,505	1,022,229,866
Bank overdrafts and short - term loans from financial institutions	21	103,768,841	217,541,410	693,566,761	79,855,751	213,819,224	693,566,761
Trade and other accounts payable - other companies	22	627,680,389	472,546,131	419,674,181	533,198,318	384,446,525	330,864,557
Trade and other accounts payable - related companies	5,23	13,371,796	9,388,691	-	13,939,617	10,702,752	-
Current portion							
- Liabilities under finance lease agreement	25	819,158	774,722	739,843	742,523	698,032	656,415
- Liabilities under debt restruction agreement	26	248,666,609	19,664,781	-	248,666,609	19,664,781	-
Short - term loans from other persons and companies	24	305,000,000	300,000,000	-	-	-	-
Short - term loans from related person and companies	5	-	-	316,000	48,465,508	-	-
Income tax payable		288,336	1,171,078	5,251,842	-	-	-
Accrued interest		274,492,237	48,087,506	13,305,809	182,472,338	39,021,507	13,305,809
Advance received for goods	5	9,411,221	40,678,697	39,840,473	9,411,221	82,733,408	39,840,473
Other current liabilities		6,586,368	1,787,481	5,700,335	-	-	-
Total current liabilities		2,621,442,708	1,857,360,002	2,200,625,110	2,148,109,638	1,496,805,734	2,100,463,881
NON - CURRENT LIABILITIES							
Liabilities under finance lease agreement - net	25	539,181	1,358,340	2,153,276	459,007	1,201,531	1,899,563
Liabilities under debt restruction agreement	26	445,877,839	840,691,345	-	445,877,839	840,691,345	-
Employee benefit obligations	27	4,344,664	3,852,038	-	1,622,185	1,335,220	-
Others non - current liabilities		80,706	80,706	-	-	-	-
Total non - current liabilities		450,842,390	845,982,429	2,153,276	447,959,031	843,228,096	1,899,563
TOTAL LIABILITIES		3,072,285,098	2,703,342,431	2,202,778,386	2,596,068,669	2,340,033,830	2,102,363,444

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

	Notes	In Baht					
		Consolidated financial statements			Separate financial statements		
		December 31,2012	December 31,2011	January 1,2011	December 31,2012	December 31,2011	January 1,2011
SHAREHOLDERS' EQUITY							
Share capital - common shares	28						
- Authorized share capital - 10,000,000,000 shares, Baht 0.10 par value in 2010							
- Authorized share capital - 1,500,000,000 shares, Baht 1.00 par value in 2011							
- Authorized share capital - 4,000,000,000 shares, Baht 1.00 par value in 2012		4,000,000,000	1,500,000,000	1,000,000,000	4,000,000,000	1,500,000,000	1,000,000,000
Issued and fully paid - up share capital							
- 10,000,000,000 shares, Baht 1 par value in 2010							
- 1,000,000,000 shares, Baht 1 par value in 2011							
- 1,002,913,226 shares, Baht 1 par value in 2012		1,002,913,226	1,000,000,000	1,000,000,000	1,002,913,226	1,000,000,000	1,000,000,000
Premium on share capital	28,29	413,966,850	415,423,463	571,791,673	413,966,850	415,423,463	571,791,673
Deficit		(631,153,445)	(255,704,192)	(22,846,033)	(612,676,342)	(306,706,690)	(156,368,210)
Other component of equity		27,003,739	30,419,757	-	(11,431,604)	-	-
Total equity attributable to owners of the parent		812,730,370	1,190,139,028	1,548,945,640	792,772,130	1,108,716,773	1,415,423,463
Non - controlling interests		399,249,772	424,311,673	-	-	-	-
Total shareholders' equity		1,211,980,142	1,614,450,701	1,548,945,640	792,772,130	1,108,716,773	1,415,423,463
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,284,265,240	4,317,793,132	3,751,724,026	3,388,840,799	3,448,750,603	3,517,786,907

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
AS AT DECEMBER 31, 2012

		In Baht			
		Consolidated financial statements		Separate financial statements	
Notes		2012	2011	2012	2011
REVENUES					
	Revenue from sales	2,926,666,552	4,122,631,649	2,186,399,365	3,533,368,039
	Revenue from services	91,169,227	67,776,175	-	114,542
	Revenue from written off accrued expenses	-	12,214,725	-	12,214,725
	Gain on sales of fixed assets	23,166,513	-	57,770,513	-
	Gain on sales of investments in subsidiary	15	-	5,328,909	20,565,644
	Gain on a bargain purchase of subsidiary company	15	-	-	-
	Other incomes	21,641,388	13,402,931	12,724,498	8,733,506
	Total Revenues	3,062,643,680	4,238,701,533	2,262,223,285	3,574,996,456
EXPENSES					
	Cost of sales	3,001,383,550	4,127,498,852	2,196,296,763	3,466,706,657
	Cost of services	104,995,084	65,869,320	-	36,901
	Selling expenses	8,488,655	9,722,199	4,374,869	6,730,975
	Administrative expenses	74,861,309	70,607,415	48,919,264	45,269,203
	Loss on impairment of assets	-	7,698,352	-	7,698,352
	Loss on impairment of investment in subsidiary	15	-	77,602,426	28,013,486
	Doubtful accounts (Reversal)	(26,273,314)	149,265,562	(26,381,191)	149,235,768
	Management benefit expenses	5	10,076,328	10,076,328	11,860,871
	Finance costs	337,970,698	203,612,527	257,304,478	166,150,933
	Total Expenses	3,511,502,310	4,646,135,098	2,568,192,937	3,881,703,146
	LOSS BEFORE INCOME TAX	(448,858,630)	(407,433,565)	(305,969,652)	(306,706,690)
	Income tax	30	(630,618)	-	-
	LOSS FOR THE YEAR	(449,489,248)	(407,433,565)	(305,969,652)	(306,706,690)
	Other comprehensive income (expense)				
	Change in fair value of securities available for sale	(11,431,604)	-	(11,431,604)	-
	TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(460,920,852)	(407,433,565)	(317,401,256)	(306,706,690)
	Loss for the year attributable to :				
	Owners of the parent	(375,449,253)	(389,226,369)	(305,969,652)	(306,706,690)
	Non - controlling interests	(74,039,995)	(18,207,196)	-	-
		(449,489,248)	(407,433,565)	(305,969,652)	(306,706,690)
	Total comprehensive loss for the year attributable to :				
	Owners of the parent	(386,880,857)	(389,226,369)	(317,401,256)	(306,706,690)
	Non - controlling interests	(74,039,995)	(18,207,196)	-	-
		(460,920,852)	(407,433,565)	(317,401,256)	(306,706,690)
	BASIC LOSS PER SHARE				
	Owners of the parent (baht)	32	(0.374)	(0.389)	(0.305)

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012

		In Baht							
		Consolidated financial statements							
		Other component of equity					Total equity attributable to owners of the parent	Non - controlling interests	Total shareholders' equity
		Other comprehensive income (expense)							
Notes	Issued and fully paid - up share capital	Premium on share capital	Unappropriated (deficit)	Excess from change in equity interest	Change in fair value of securities available for sale	Total Other component of equity			
Balance as at January 1, 2011	1,000,000,000	571,791,673	(22,846,033)	-	-	-	1,548,945,640	-	1,548,945,640
Compensation accumulated loss by premium on share	29	-	(156,368,210)	156,368,210	-	-	-	-	-
Excess from change in equity interest in subsidiaries	15	-	-	30,419,757	-	30,419,757	30,419,757	(30,419,757)	-
Non - controlling interests increase		-	-	-	-	-	-	472,938,626	472,938,626
Total comprehensive loss for the year		-	-	(389,226,369)	-	-	(389,226,369)	(18,207,196)	(407,433,565)
Balance as at December 31, 2011		1,000,000,000	415,423,463	(255,704,192)	30,419,757	-	30,419,757	1,190,139,028	1,614,450,701
Adjust for change in equity interest in subsidiaries		-	-	-	178,533	-	178,533	(178,533)	-
Excess from change in equity interest in subsidiaries	15	-	-	7,837,053	-	7,837,053	7,837,053	(7,837,053)	-
Increase in share capital	28	2,913,226	(1,456,613)	-	-	-	1,456,613	-	1,456,613
Non - controlling interests increase		-	-	-	-	-	-	56,993,680	56,993,680
Total comprehensive loss for the year		-	-	(375,449,253)	-	(11,431,604)	(386,880,857)	(74,039,995)	(460,920,852)
Balance as at December 31, 2012		1,002,913,226	413,966,850	(631,153,445)	38,435,343	(11,431,604)	27,003,739	399,249,772	1,211,980,142

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

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012

		In Baht			
		Separate financial statements			
		Other component of equity			
		Other comprehensive			Total shareholders'
		income (expense)			
Notes	Issued and fully paid-up share capital	Premium on share capital	Unappropriated (Deficit)	Excess from change in equity interest	equity

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax	(448,858,630)	(407,433,565)	(305,969,652)	(306,706,690)
Adjustments for				
Depreciation	135,520,526	122,281,300	17,175,858	19,510,425
Doubtful account (reversal)	(26,273,314)	149,265,563	(26,381,191)	149,235,768
Loss of non-refundable withholding tax	1,516,597	-	1,298,093	-
Amortization of prepaid expenses	-	1,534,090	-	1,450,773
Amortization of intangible asset	-	371,210	-	341,121
Loss from write off of investment in the expired warrants	-	9,711	-	9,711
Unrealized (gain) loss from investment in trading security	45,318	521,157	45,318	521,157
(Gain) loss from sale investment in securities available for sale	3,725,011	-	3,725,011	-
Gain on sale of investment in subsidiary company	-	-	(5,328,909)	(20,565,644)
Unrealized (gain) loss from exchange rate	(3,752,531)	3,130,655	(3,752,531)	3,130,655
(Gain) loss from sale fixed assets	(23,166,513)	(242,387)	(57,770,513)	(18,277)
Loss from written off fixed assets	4,895	-	4,895	-
Gain on a bargain purchase of subsidiaries company	-	(22,676,053)	-	-
Loss from impairment of investment in subsidiary company	-	-	77,602,426	28,013,486
Loss on impairment of assets	-	7,698,352	-	7,698,352
Loss from impairment of other deposit	-	626,703	-	626,703
Loss from write off of retention receivable	-	2,397,810	-	-
Loss from declining in value of inventories (Reversal)	(871,874)	6,265,338	3,041,618	3,988,594
Revenue from written - off accrued expenses	-	(12,214,725)	-	(12,214,725)
Amortization of deferred finance charge in borrowing	5,834,998	5,776,642	5,834,998	5,776,642
Employee benefit	351,350	3,126,499	224,197	1,289,482
Interest income	(160,977)	(182,498)	(305,629)	(553,683)
Interest expenses of employee benefits	141,276	137,721	62,768	45,738
Interest expenses	332,338,691	192,614,498	252,034,036	159,311,788
Profit (loss) from operating activities before change in operating assets and liabilities	(23,605,177)	53,008,021	(38,459,207)	40,891,376
Decrease (Increase) in operating assets				
Trade and other accounts receivables - other companies	(636,643,480)	532,578,100	(524,666,066)	437,915,652
Trade and other accounts receivables - related companies	-	-	(2,192,863)	(4,292,204)
Inventories	(32,472,683)	(8,470,246)	(70,256,119)	(15,721,517)
Advance payment for goods	371,375,117	(54,228,389)	358,894,701	(269,672,055)
Other current assets	(1,547,824)	(42,976)	241,275	(612,430)
Other account receivable - advance payment for goods	4,926,993	23,872,130	4,926,993	23,872,130
Other long - term accounts receivable	-	11,132,885	-	-
Retention receivable	(2,355,080)	9,792,829	-	-
Other non - current assets	1,972,097	(22,231)	164,187	132,560
Increase (Decrease) in operating liabilities				
Trade and other accounts payables - other companies	259,778,796	21,176,516	195,853,337	332,823,351
Trade and other accounts payables - related companies	3,983,105	9,388,691	2,488,279	10,499,157
Advance receive for goods	(31,267,476)	838,224	(73,322,186)	42,892,935
Other current liabilities	7,161,718	(7,993,617)	-	-
Cash received (paid) from operating activities	(78,693,894)	591,029,937	(146,327,669)	598,728,955
Cash payment for corporate income tax and withholding tax	(2,359,092)	(4,938,221)	(609,593)	(200,294)
Cash received from interest income	158,770	14,219,211	82,613	552,991
Net Cash Provided by (Used in) from Operating Activities	(80,894,216)	600,310,927	(146,854,649)	599,081,652

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

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES				
(Increase) Decrease in restricted bank deposit	(25,177,790)	(5,316,309)	(26,888,374)	(1,174,306)
Cash received from sale of investment in subsidiary company	-	-	56,993,680	227,224,800
Cash received from sale of property, plant and equipment	6,114,947	242,394	40,085,190	18,280
Cash received from sale of investment property	43,161,264	-	43,161,264	-
Cash received from sale of investment in securities available for sale	43,271,581	-	43,271,581	-
Cash payment for purchase of investment in subsidiary company	-	(799,240,768)	-	(799,682,587)
Cash received from short-term loans to subsidiary company	-	-	49,608,591	29,570,000
Cash payment for short-term loans to subsidiary company	-	-	(45,428,591)	(28,750,000)
Cash payment for purchase of property, plant and equipment	(2,435,459)	(4,339,503)	(1,086,392)	(430,849)
Cash received from interest revenue in short-term loans to subsidiary company	-	-	228,486	-
Net Cash Provided by (Used in) from Investing Activities	64,934,543	(808,654,186)	159,945,435	(573,224,662)
CASH FLOW FROM FINANCING ACTIVITIES				
Cash received from sale of investment in subsidiary company	56,993,680	227,224,800	-	-
Increase (Decrease) in bank overdrafts and short-term loans from financial institutions	62,229,612	106,363,732	42,038,710	102,641,547
Cash payment for account payable for assets	-	(9,250,361)	-	(382,739)
Cash payment for liabilities under finance lease agreement	(774,722)	(920,370)	(698,032)	(797,160)
Cash payment for long-term loans from financial institutions	(42,819,343)	(15,619,516)	(42,819,343)	(15,619,516)
Cash received from loans from subsidiary company	-	-	87,597,907	36,575,000
Cash payment for loan from subsidiary company	-	-	(39,132,399)	(36,575,000)
Cash payment for short-term loan from related person	-	(316,000)	-	-
Cash received from short-term loan from other person and company	5,000,000	50,000,000	-	-
Cash payment for short-term loan from other person and company	-	(21,407,698)	-	-
Cash received from premium on share capital	1,456,613	-	1,456,613	-
Cash payment for interest expenses	(72,617,166)	(132,166,062)	(72,154,994)	(112,429,326)
Net Cash Provided by (Used in) Financing Activities	9,468,674	203,908,525	(23,711,538)	(26,587,194)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,490,999)	(4,434,734)	(10,620,752)	(730,204)
Cash and Cash Equivalents - Beginning of Year	14,421,148	18,855,882	14,102,847	14,833,051
CASH AND CASH EQUIVALENTS - END OF YEAR	7,930,149	14,421,148	3,482,095	14,102,847

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements

For the year ended December 31, 2012

These notes form an integral part of the financial statements.

The financial statements were authorized for issue by the directors on February 27, 2013.

1. GENERAL INFORMATION

The Company has registered as the Company Limited in accordance with the Civil and Commercial Law Code on May 10, 1999, with the registered number 0107549000050, and registered as the Public Company Limited on March 27, 2006, with its registered head office at 636 Bangkhuntien-Chaitaleey Road Thakham, Bangkhuntien Bangkok 10150

The Company and its subsidiaries operate in the business of production and distribution of steel pipe, steel scrap, steel products and services to produce steel pipe and another subsidiary company operates in foundation pile manufacturing, distribution, delivery and hammering. (The Company and its subsidiaries are called as “the Group”.)

The consolidated financial statements as at December 31, 2012 and 2011, include the accounts of the Company and its subsidiaries as follows:

Name of Companies	Type of business	In Million Baht		Percentage of direct and indirect holding (%)	
		Paid-up share capital			
		2012	2011	2012	2011
Thai National Product Co., Ltd	Foundation pile manufacturing, delivery and hammering	261	261	100.00	100.00
Siam Ferro Industry Co., Ltd	Production and distribution of steel production and all steel pipe and service to produce steel pipe	442	442	51.88	56.88

In year 2011, the Company has an investment in Siam Ferro Co., Ltd., which is the subsidiary company as in note 15 , since the consolidate financial statement for the year ended December 31, 2011 are included the financial position and result of operating of such subsidiary company since April 1, 2011 (the acquisition date) to December 31, 2011

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements issued for Thai reporting purposes are prepared in the Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”) and guidelines promulgated by the Federation of Accounting Professions (“FAP”), applicable rules and regulations of the Thai Securities and Exchange Commission.

The financial statements are prepared and presented in Thai Baht. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand Baht unless otherwise stated.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012****3. NEW ACCOUNTING STANDARDS, AMENDMENTS TO ACCOUNTING STANDARDS AND NEW INTERPRETATION**

The following new accounting standards, amendments to accounting standards and new interpretation are mandatory for the accounting periods beginning on or after 1 January 2013, but the Group has not early adopted them:

TAS 12	Income taxes
TAS 20 (Revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rates
TFRS 8	Operating Segments
TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Group's management has determined that the new accounting standards, amendments to accounting standards and new interpretation will not significantly impact to financial statement being presented, except

TAS 12: This deals with taxes on income, comprising current tax and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, using tax rates and tax law that have been enacted or substantively enacted by the end of the reporting period. Deferred taxes are measured based on the temporary difference between the tax base of an asset or liability and its carrying amount in the financial statements and using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax law that have been enacted or substantively enacted by the end of the reporting period. The Group will apply this standard retrospectively with effect from 1 January 2013, with the expectation of incurring a deferred tax account and changes in deficit and income tax expense. The management is currently assessing the impact of applying this standard.

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

		<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets		1 January 2013
Accounting Standard Interpretation:		
SIC 29	Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014

The management of the Company is evaluating the first-year impact to the financial statements of the accounting treatment guidance and accounting standard interpretations.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group”).

Business combinations

The Group applies the acquisition method for all business combinations other than those with entities under common control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. If subsidiaries of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to their financial statements in preparing the consolidated financial statements.

Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted or as an investment available-for-sale investment depending on the level of influence retained.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

Transactions eliminated on consolidation

Intra-group balances and transactions, and any revenue and expense, are eliminated in full in preparing the consolidated financial statements.

Foreign currencies

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using the foreign exchange rates ruling at the dates of the transactions.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions

Trade and other accounts receivable

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging. Bad debts are written off when incurred

Investments

Investments in subsidiaries

Investments in subsidiaries in the separate financial statements of the Company are accounted for using the cost method less accumulated impairment losses.

Investments in other debt and other equity securities

Debt securities and marketable equity securities held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Debt securities that the Group/Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments, which are stated at amortised cost less any accumulated impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities, other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than accumulated impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Equity securities which are not marketable are stated at cost less any accumulated impairment losses.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

The fair value of financial instruments classified as held-for-trading and available-for-sale is determined as the quoted bid price at the reporting date.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Group/Company disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying amount of the total holding of the investment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost determined by the weighted average method. Cost comprises both purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, the latter being allocated on the basis of normal operating activities.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower end of the carrying amount and fair value less cost to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

Investment properties

Investment property is defined as land or a building or part of a building, or both, held to earn rental or for capital appreciation or both, rather than for use in the production or supply of goods and services, for administrative purposes, or for making sales in the ordinary course of business.

Investment properties of the Group/Company are measured initially at cost. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 5-38 years. Depreciation of the investment properties is included in determining in profit or loss.

No depreciation is provided on investment properties - land.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income or other expense in profit or loss.

Leased assets

Leases in terms of which the Group/Company substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss. When a sale and leaseback results in a finance lease, any gain on the sale is deferred and recognised as income over the lease term.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group/Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Buildings and Improvements	5, 20, 36	years
Machines	5, 10, 15	years
Furniture, fixtures and office equipment	5	years
Tools and equipment	5	years
Vehicles	5, 7	years

No depreciation is provided on freehold land or assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

Intangible assets

Other intangible assets that are acquired by the Group/Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

Software license	5	Years
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Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate

Impairment of Assets

The carrying amounts of the Group/Company's assets are reviewed at each statements of financial position date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and as when indicators of impairment are identified.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized in profit or loss.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of the assets' 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 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.

Trade and Other Accounts Payable

Trade and other accounts payable are stated at cost.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

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 profit or loss. Fee for providing loans arising from the provision of short-term borrowing limit for use as working capital in a period of one year is amortised to financial costs by straight-line method over periods of one year loan period and fees for providing loans arising from the provision of long-term borrowing limit is amortised to financial costs by over the period of the borrowings by using the effective rate method.

Provisions

Provision is recognized in the statements of financial position when the Group/Company have a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (Provident Fund) and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group/Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group/Company recognises all actuarial gains and losses arising from defined benefit plans in profit or loss.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

Revenues

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.

Sales of goods

Revenue from sales is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods.

Service income

Service income is recognized as services are provided.

Service income from foundation pile hammering is recognized when service is provided, according to the completed hammering services

Rental income

Rental income from operating lease contracts is recognised in profit or loss on a straight line basis over the term of the lease.

Dividend income

Dividend income is recognised in profit or loss on the date the Group/Company's right to receive payments is established.

Interest income

interest income are recognised in profit or loss on the accrual basis.

Expenses

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Impairment of investments

The Group/Company and its subsidiary treat investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment of the management.

Property, plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012***Post-employment benefits under defined benefit plans*

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

Litigation

The subsidiary company has contingent liabilities as a result of the litigation. The management has used judgment to assess of the results of the litigation and believes that no significant loss will be resulted. Therefore no contingent liabilities are recorded as at the end of reporting period.

5. RELATED PARTIES TRANSACTIONS

A portion of the Company's assets, liabilities, revenues and expenses arose from transactions with related parties. Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa.

<u>Name of Companies</u>	<u>Type of business</u>	<u>Type of relationship</u>
Thai National Product Co., Ltd	Foundation pile manufacturing, delivery and hammering	Subsidiary
Siam Ferro Industry Co., Ltd	Production and distribution of steel production and all steel pipe and engagement of steel	Subsidiary since April 1, 2011
A.T. Steel Co., Ltd.	Distribution of steel product	Related by closed cousin of executive officer are director and shareholders
G.T. Steel Works Co., Ltd.	Production and distribution of steel product	Related by closed cousin of executive officer are director and shareholders
Max Metal Corporation Public Co.,Ltd.	Procurement and distribution of steel product	Related by exclusive strategic operator to provide management service of business affairs since April 1,2012 and ended of relationship at July 1, 2012
MSP Metal Co.,Ltd.	Procurement and distribution of steel product	Related via subsidiary of Max Metal Corporation Pcl. and ended of relationship at July 1, 2012
Ms. Angkakarn tantiviroon		Director

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012**

Pricing policies for each transactions are described as follows:

Type of transactions	Pricing policies
Revenues from sale	Price can be comparative against outside parties
Other income	Mutual agreement / Contract price
Purchases of goods	Price can be comparative against outside parties
Cost of service	Mutual agreement / Contract price
Interest income	Interest rate 6.62% - 7.25% per annum
Interest expense	Interest rate 6.87% - 7.13% per annum
Value from sales fixed assets	Price reference with appraisal value by independent appraisal

Significant revenues and expenses derived from transactions with related parties for the years ended December 31, 2012 and 2011 are summarized as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Transaction with related companies				
Purchase of goods	133,804	12,634	-	12,634
Management Fees	1,126	-	-	-
Subcontract production cost	-	15	-	15
Others expense	-	1,474	3,084	1,474
Transaction with subsidiary companies (Eliminated from consolidated financial statements)				
Revenues from sales	-	-	3,292	3,255
Revenues from sales of raw materials	-	-	-	217,026
Revenues from transportation	-	-	-	7
Interest income.	-	-	223	536
Others income	-	-	94	54
Purchase of goods	-	-	7,906	511
Subcontract production cost	-	-	4,603	2,028
Others expense	-	-	64	331
Interest expense	-	-	959	305
Value from sales fixed assets	-	-	35,075	8

Significant outstanding balances with its related companies as at December 31, 2012 and 2011 are summarized as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Trade accounts receivable				
Thai National Product Co., Ltd	-	-	2,336	165
Siam Ferro Industry Co., Ltd	-	-	5,312	5,296
Total	-	-	7,648	5,461
Less : Allowance for doubtful debt	-	-	(5,296)	-
Net	-	-	2,352	5,461

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Short-term loans to				
Thai National Product Co., Ltd	-	-	-	4,180
Trade and other accounts payable				
Thai National Product Co., Ltd	-	-	952	203
G.T. Steel Works Co., Ltd.	11,947	8,647	11,947	8,647
Siam Ferro Industry Co.,Ltd.	-	-	215	1,710
A.T.Steel Co.,Ltd	743	143	743	143
Director	682	599	83	-
Total	13,372	9,389	13,940	10,703
Advance received for goods				
Siam Ferro Industry Co.,Ltd.	-	-	42,055	-
Loan from				
Thai National Product Co., Ltd	-	-	48,466	-

Movements of Short term loan from related party are as follows:

	In Thousand Baht			
	Consolidated financial statements			
	December 31, 2011	Increase	Decrease	December 31, 2012
Short-term loan to subsidiaries				
Thai National Product Co., Ltd	4,180	45,429	49,609	-
	In Thousand Baht			
	Separate financial statements			
	December 31, 2011	Increase	Decrease	December 31, 2012
Short-term loan to subsidiaries				
Thai National Product Co., Ltd	5,000	28,750	29,570	4,180

As at December 31, 2012 and 2011, the short-term loans to subsidiary company were in type of loan contract with the repayment when it is called, carried interest rate at 7.13% - 7.25% per annum and 6.62% - 7.25% per annum, respectively

Movements of Short term loan from related party are as follows:

	In Thousand Baht			
	Separate financial statements			
	December 31, 2010	Increase	Decrease	December 31, 2011
Short - term loan from subsidiary				
Thai National Product Co., Ltd	-	87,598	39,132	48,466

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012**

	In Thousand Baht			
	Separate financial statements			
	December 31, 2010	Increase	Decrease	December 31, 2011
Short - term loan from subsidiary				
Thai National Product Co., Ltd	-	36,575	36,575	-

As at December 31, 2012 and 2011, the short-term loans from subsidiary company were loan in type of the repayment when it is called, carried interest rate at 7.00 - 7.13% and 6.87 - 7.25% per annum, respectively

For the years ended December 31, 2012 and 2011, Key Managements Personnel Compensation are as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Key Managements Personnel Compensation				
Short-term Employee Benefits	9,860	10,740	9,860	10,740
Post-Employment Benefits	216	1,121	216	1,121
Total	10,076	11,861	10,076	11,861

Significant contract during the Group and related parties are summarized as follows:

On March 30, 2012, Siam Ferro Industry Company Limited (“Subsidiary”) entered to the contract to engage Max Metal Corporation Public Company Limited to act as exclusive strategic operator who has a duty to provide services in relation to the operation and management of the business affairs of subsidiary. The service includes procurement of raw materials, financial production of products, sale, marketing promotion and distribution of product. The contract has year period with effective from April 1, 2012, which the operating fee at the rate of 20% of EBITDA, earning before interest tax, depreciation and amortization of subsidiary company.

Later, on July 6, 2012, the Subsidiary and Max Metal Corporation Public Company agree to terminate such Operator Service Agreement with effective from July 1, 2012.

6. NON - CASH TRANSACTIONS

For the years ended December 31, 2012 and 2011 significant non-cash transactions are as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Purchase of fixed assets with credit	-	109	-	85
Sale of fixed assets with credit	12,646	-	12,646	-
Short-term loans from financial institutions decrease from transfer investment property to settle	54,871	9,536	54,871	9,536
Transfer long-term loans to debt due to repayment	1,031,358	843,623	1,031,358	-
Offsetting between trade accounts receivable and trade account payable	98,900	262,914	43,349	262,914

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Offsetting between other accounts receivable and advance received for goods	-	6,951	-	6,951
Other accounts receivable – increase from transferred advance payment for goods	-	353,295	-	353,295
Cash payment for purchase investment in subsidiary company decreased from other receivable from decreased shares capital of the subsidiary company	-	5,296	-	5,296
Share capital decreased from other payable from decreased shares capital of the subsidiary company	-	1,593	-	-
Unrealized loss from investment in available for sale security	11,432	-	11,432	-
Assets and liabilities increased from business combinations				
Current assets	-	602,248	-	-
Non current assets	-	1,065,357	-	-
Current liabilities	-	597,713	-	-
Non current liabilities	-	669	-	-

7. CASH AND CASH EQUIVALENTS

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash	92	159	64	72
Saving account	1,202	2,565	57	2,550
Current account	6,636	11,697	3,361	11,481
Total	7,930	14,421	3,482	14,103

8. TEMPORARY INVESTMENT

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Investment in trading security				
Cost	647	647	647	647
Change in fair value of investment	(433)	(388)	(433)	(388)
Fair value	214	259	214	259

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

9. TRADE AND OTHER ACCOUNT RECEIVABLE - OTHER COMPANIES

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Trade account receivable				
Post dated cheques	117,667	189,694	81,668	189,694
Account receivable-returned cheques	8,108	997	-	-
Trade accounts receivable	1,790,585	1,179,393	1,435,079	840,040
Total	1,916,360	1,370,084	1,516,747	1,029,734
Less : Allowance for doubtful debt	(52,713)	(47,308)	(9,905)	(9,905)
Net	1,863,647	1,322,776	1,506,842	1,019,829
Other account receivable				
Revenue department receivable	1,388	13,091	452	7,170
Other receivable	20,711	7,733	13,579	1,340
Others	3,024	1,798	2,328	1,281
Total	25,123	22,622	16,359	9,791
Grand Total	1,888,770	1,345,398	1,523,201	1,029,620

As at December 31, 2012 and 2011, the trade accounts and note receivable-other companies are classified by aging as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Within credit term	589,757	793,031	413,954	692,647
Over due 1 to 90 days	365,509	491,230	237,003	318,246
Over due 91 to 180 days	784,284	10,400	736,456	8,936
Over due 181 to 365 days	123,006	28,157	119,429	-
Over due over 1 year	53,804	47,266	9,905	9,905
	1,916,360	1,370,084	1,516,747	1,029,734
Less : Allowance for doubtful debt - trade account	(52,713)	(47,308)	(9,905)	(9,905)
Net	1,863,647	1,322,776	1,506,842	1,019,829

For the years ended December 31, 2012 and 2011, the movements of allowance for doubtful debt are as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Bad debts and doubtful debts expense (Reversal)	5,492	(11,970)	-	(12,000)
Allowance for doubtful accounts increase from business acquisition	-	191,976	-	-
Write-off bad debt previously fully provided for (no effect to statement of income for the year)	(87)	(191,976)	-	-

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012**

In the consolidated financial statements as of December 31, 2012 and 2011, the Group factored some post dated cheques in the amount of Baht 27.68 million and Baht 28.87 million respectively, the separate financial statements in amount of Baht 27.00 million and Baht 28.87 million respectively, to discount with the financial institution according to note 21. The Group/Company still has to take responsibility in the notes receivable if the financial institution cannot collect debt repayment from such notes receivable.

In the consolidated financial statements as at December 31, 2012 and 2011, a part of trade accounts receivable in the amount of Baht 23.23 million and Baht 4.84 million respectively, had be transferred the right of collection to one financial institution according to note no 20. The Group still has to take responsibility in the trade accounts receivable if the financial institution cannot collect debt repayment in accordance with such trade accounts receivable.

In the consolidated financial statements as at December 31, 2012, account receivable over credit term over 1 year, partly in amount of Baht 5.70 million is account receivable who purchase goods and services from the Group and rendering service to government sector. Such receivable has gradually debt repayment, the management believes that no risk for debt collection.

10. TRADE AND OTHER ACCOUNT RECEIVABLE – RELATED COMPANIES

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Trade account receivable	-	-	2,297	147
Other receivable	-	-	5,351	5,314
Total	-	-	7,648	5,461
Less : Allowance for doubtful debt-other account receivable	-	-	(5,296)	-
Net	-	-	2,352	5,461
Bad debts and doubtful debts expense for the year	-	-	5,296	-

As at December 31, 2012 and 2011, the trade accounts receivable-other companies are classified by aging as follows:

	In Thousand Baht			
	Consolidated		The Company only	
	2012	2011	2012	2011
Within credit term	-	-	2,239	147
Over due 1 to 90 days	-	-	58	-
Total	-	-	2,297	147
Less : Allowance for doubtful debt-trade accounts receivable	-	-	-	-
Total	-	-	2,297	147

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012****11. INVENTORIES - NET**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Finished goods	320,817	161,403	256,498	84,532
Work in process	415	853	-	-
Raw materials	119,791	248,748	109,879	214,332
Supplies	14,446	11,992	4,116	1,372
Total	455,469	422,996	370,493	300,236
Less Allowance for declining in value of inventories	(14,002)	(15,024)	(6,660)	(4,275)
Net	441,467	407,972	363,833	295,961
The cost of inventories which is recognised as an expense and included in cost of goods sold for the year.				
- Cost of goods sold	2,829,003	4,039,637	2,160,074	3,426,800
- Loss of Allowance for declining in value of inventories	2,899	10,820	2,385	4,367
- Allowance for declining in value of inventories (Reversal)	(3,921)	(5,282)	-	(599)
Total	2,827,981	4,045,175	2,162,459	3,430,568

In the consolidated and separate financial statements as at December 31, 2011, inventories in amount of Baht 201.14 million are pledge as collateral with financial institutes according to Note No.19.

12. ADVANCE PAYMENT FOR GOODS - NET

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Advance payment for goods	168,733	540,108	162,453	521,348
Less : Allowance for declining in value of inventories	(878)	(727)	(878)	(221)
Net	167,855	539,381	161,575	521,127
Loss from Allowance for declining in value of inventories for the year				
	657	727	657	221
Allowance for declining in value of inventories for the year (Reversal)	(506)	-	-	-

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

13. GENERAL INVESTMENT

	Consolidated Financial Statements					
	Percentage of direct and indirect Holding (Percent)		In Thousand Baht			
			Paid-up capital		Investment value Cost method	
	2012	2011	2012	2011	2012	2011
• Pan Asia Storage and Terminal Co., Ltd.	0.00003	0.00003	1,929,618	1,929,618	1	1
• Siam Integrated Cold Rolled Steel Public Co., Ltd.	0.055	0.055	12,000	12,000	6	6
• First Steel Industry Co., Ltd.	0.18	0.18	357,500	357,500	635	635
• Inter Metal Tube Alliance (Thailand) Co.,Ltd.	0.05	0.05	270,000	270,000	124	124
<u>Less</u> Allowance for Impairment of Investment					(766)	(766)
General Investment - Net					-	-

14. AVAILABLE FOR SALE INVESTMENT

	In Thousand Baht
	Consolidated and Separate financial statements
	2012
Cost value	140,990
Change in fair value of investment	(11,432)
Fair value	129,558

The whole amount of investment available for sale security, the Company has pledge to collateral for the debt under restructuring agreement with a financial institute.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

15. INVESTMENT IN SUBSIDIARIES

	Separate financial statements					
	Percentage of direct and indirect Holding (Percent)		In Thousand Baht			
			Paid-up capital		Investment value Cost method	
	2012	2011	2012	2011	2012	2011
SUBSIDIARIES						
• Thai National Product Co., Ltd	100.00	100.00	261,006	261,006	639,478	639,478
• Siam Ferro Industry Co., Ltd	51.88	56.88	441,701	441,701	536,062	587,727
Less : Allowance for impairment loss of investment in subsidiary					(105,616)	(28,014)
Net					1,069,924	1,199,191
Loss from impairment for the year					77,602	28,014

2011

In accordance with minute of the board of directors meeting no. 8/2010 on December 23, 2010, it resolves to acquire ordinary shares in the SIAM FERRO INDUSTRY CO., LTD. (Siam Ferro) in number of 10,954,556 shares at par value of Baht 100 per share, equivalent to proportion of 76.88% of registered capital that already repaid at the price of Baht 73 per share being amount of Baht 799.68 million in order to purchase asset for expand production capacity and reserve for the Company's growth in future. The Company has transferred all shares of 10,954,556 shares (100% of the shares purchased), already on April 1, 2011.

The Company has appointed the independent appraiser to appraise the fair value of identifiable assets acquired and the liability. The Company allocation cost of acquisition to the identifiable assets acquired and the liabilities by using independent appraisers report. It finds surplus of the fair value of the identifiable net assets acquired over the cost of acquisition of the subsidiary company in amount of Baht 22.68 million and recognizes the whole amount of surplus to gain on bargain purchase of subsidiary company in the consolidated profit or loss for the year 2011.

Fair value of assets and liabilities of Siam Ferro Industry Co., Ltd. before the merger as follows:

	Fair Value As of March 31, 2011 In Thousand Baht
Current Assets	602,690
Property, Plant and Equipment-Net	1,061,914
Non-Current Assets	3,443
Current Liabilities	(597,713)
Non-Current Liabilities	(669)
Total Net Assets as Fair Value as of Purchasing Date	1,069,665

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012**

	Fair Value As of March 31, 2011 In Thousand Baht
Fair Value in Proportion as the Company Investment in the rate of 76.88%	822,359
Gain from Purchase Business (recognized in consolidated statements of comprehensive income)	(22,676)
Cost of purchase Subsidiary Company	799,683
<u>Less</u> Cash and Cash Equivalent of Subsidiary Company	(442)
Net Cash flow paid from Purchasing Subsidiary Company	799,241

In accordance with the minute of the extra-ordinary shareholders meeting of Siam Ferro Industry Co., Ltd., no. 1/2011 on May 18, 2011, it resolves to change registered ordinary shares par value of the Subsidiary Company from the formerly value of Baht 100.00 per share to value of Baht 31.00 per share. As a result, the subsidiary company's ordinary shares decreased from Baht 1,424.84 million to Baht 441.70 million, equivalent to Baht 983.14 million. The reducing of the value of such shares to compensate beginning accumulate losses of the subsidiary company in amount of Baht 976.25 million, remaining value that will pay to shareholders in amount of Baht 6.89 million, equivalent part of the Company in amount of Baht 5.30 million, As a result, the value of investments in subsidiary company decreased remain in amount of Baht 794.39 million.

In accordance with the board of director meeting No. 8/2011, held on December 2, 2011, it has passed a resolution to dispose the investments in Siam Ferro Industry Company Limited in amount of 3,562,106 shares, par value Baht 31 per share, in the price Baht 80 per share totaling Baht 284,968,480.00 to another company 2,849,685 shares and another person 712,421 shares. The Company already had received the amount for the share disposal from that company on December 23, 2011. Therefore, the shareholding ratio decreases from 76.88% to 56.88% which the details are as follows:

Net assets value of subsidiary company that being adjusted out from selling are as follows:

	In Thousand Baht	
	Consolidated financial statements	Separate financial statements
	2011	2011
Net assets value of subsidiary company that being adjusted out from selling	196,805	-
Investment value in subsidiary that being adjusted out	-	206,659
Net cash received from sale	227,225	227,225
Excess from changes of interest in subsidiary company	(30,420)	-
Gain from sale of investment in subsidiary company	-	(20,566)

2012

In accordance with minute of the board of directors meeting no. 8/2011 on December 2, 2011, it resolves to dispose the investment in Siam Ferro Industry Company Limited in amount of 712,421 shares, in the price Baht 80 per share totaling Baht 56.99 million to other person. Therefore, the shareholding ratio decreases from 56.88% to 51.88% which the detail are as follows:

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

Net assets value of subsidiary company that being adjusted out from selling are as follows:

	In Thousand Baht	
	Consolidated financial statements	Separate financial statements
	2012	2012
Net assets value of subsidiary company that being adjusted out from selling	49,157	-
Investment value in subsidiary that being adjusted out	-	51,665
Net cash received from sale	56,994	56,994
Excess from changes of interest in subsidiary company	(7,837)	-
Gain from sale of investment in subsidiary company	-	(5,329)

However, In Consolidated financial statements, the Company recognizes discrepancy that occurs between net asset value of interest in subsidiary company that being adjusted out from selling and fair value of remuneration that received under accounting caption of excess from change of interest in the subsidiary companies and presents in shareholders' equity since the change of interest of the Company in subsidiary companies does not cause the Company losing control. In separate financial statements, the Company recognizes discrepancy that occurs between the investment value that being adjusted out from selling and fair value of remuneration that received under accounting caption of gain on sale investment in subsidiary.

16. INVESTMENT PROPERTY - NET

	In Thousand Baht		
	Consolidated financial statements		
	Land	Buildings	Total
<u>Cost</u>			
Balance as at January 1, 2011	72,744	115,884	188,628
Acquisitions	-	-	-
Disposal/write - off	(17,423)	-	(17,423)
Balance as at December 31, 2011	55,321	115,884	171,205
Acquisitions	-	-	-
Disposal/write - off	(53,443)	(74,316)	(127,759)
Balance as at December 31, 2012	1,878	41,568	43,446
<u>Accumulated depreciation</u>			
Balance as at January 1, 2011	-	26,408	26,408
Depreciation for the year	-	5,110	5,110
Disposal/write - off	-	-	-
Balance as at December 31, 2011	-	31,518	31,518
Depreciation for the year	-	4,799	4,799
Disposal/write - off	-	(19,619)	(19,619)
Balance as at December 31, 2012	-	16,698	16,698

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to the Financial Statements (Continued)
For the year ended December 31, 2012

	In Thousand Baht		
	Consolidated financial statements		
	Land	Buildings	Total
<u>Allowance for impairment</u>			
Balance as at January 1, 2011	23,560	-	23,560
Impairment for the year	-	-	-
Disposal/write - off	(7,887)	-	(7,887)
Balance as at December 31, 2011	15,673	-	15,673
Impairment for the year	-	-	-
Disposal/write - off	(15,673)	-	(15,673)
Balance as at December 31, 2012	-	-	-
<u>Net book value</u>			
December 31, 2011	39,648	84,366	124,014
December 31, 2012	1,878	24,870	26,748
<u>Depreciations included in profit or loss for the years</u>			
2011			5,110
2012			4,799

	In Thousand Baht		
	Separate financial statements		
	Land	Buildings	Total
<u>Cost</u>			
Balance as at January 1, 2011	72,744	92,722	165,466
Acquisitions	-	-	-
Disposal/write - off	(17,423)	-	(17,423)
Balance as at December 31, 2011	55,321	92,722	148,043
Acquisitions	-	-	-
Disposal/write - off	(53,443)	(74,316)	(127,759)
Balance as at December 31, 2012	1,878	18,406	20,284
<u>Accumulated depreciation</u>			
Balance as at January 1, 2011	-	19,332	19,332
Depreciation for the year	-	4,636	4,636
Disposal/write - off	-	-	-
Balance as at December 31, 2011	-	23,968	23,968
Depreciation for the year	-	4,325	4,325
Disposal/write - off	-	(19,619)	(19,619)
Balance as at December 31, 2012	-	8,674	8,674

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012**

	In Thousand Baht		
	Separate financial statements		
	Land	Buildings	Total
<u>Allowance for impairment</u>			
Balance as at January 1, 2011	23,560	-	23,560
Impairment for the year	-	-	-
Disposal/write - off	(7,887)	-	(7,887)
Balance as at December 31, 2011	15,673	-	15,673
Impairment for the year	-	-	-
Disposal/write - off	(15,673)	-	(15,673)
Balance as at December 31, 2012	-	-	-
<u>Net book value</u>			
December 31, 2011	39,648	68,754	108,402
December 31, 2012	1,878	9,732	11,610
<u>Depreciations included in profit or loss for the years</u>			
2011			4,636
2012			4,325

The separate financial statements as at December 31, 2012 and December 31, 2011, the Group's investment property in the book value of Baht 11.61 million and Baht 108.40 million, respectively, as collateral for loans granted by financial institutions as in note No. 19.

The consolidated financial statements as at December 31, 2012 and December 31, 2011 the Group's investment property in the book value of Baht 15.14 million and Baht 7.20 million, respectively, as collateral against the merchandise orders and pledge for collateral for loan from other person.

The consolidated and separate financial statements as at December 31, 2012, investment property had the fair value which appraise by an independence appraiser, that appraise the fair value of a land by market comparison approach method and the cost approach method for buildings, according to appraisal report during on July, 2010 and February, 2012, which had the total of fair value as in the consolidate financial statements amount of Baht 32.95 million and as in the separate financial statements amount of Baht 16.59 million.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

17. PROPERTY, PLANT AND EQUIPMENT – NET

	In Thousand Baht												
	Consolidated												
	Land and improvement	Buildings	Building improvement	Improvement office	Machinery	Improvement Machinery	Tools and Equipment	Vehicle	Tools Pile	Water/Fence Wells/Road /Culvert	Work in Process	Machinery and Equipment in Process	Total
<u>Cost</u>													
Balance as at January 1, 2011	366,835	232,896	7,245	579	578,715	9,419	171,465	33,872	278,030	81,600	5,399	-	1,766,055
Increased from Purchase Business	274,248	833,025	-	-	1,129,989	-	7,940	10,810	-	-	-	-	2,256,012
Acquisitions /Transfers in	-	-	-	-	39	-	1,535	564	-	-	2,311	-	4,449
Transfer out on investment in subsidiaries	-	(13,467)	(1,884)	-	(10,520)	-	(2,377)	-	-	-	-	-	(28,248)
Disposal/Transfer out	-	-	-	-	-	-	(63)	(1,972)	-	-	-	-	(2,035)
Balance as at December 31, 2011	641,083	1,052,454	5,361	579	1,698,223	9,419	178,500	43,274	278,030	81,600	7,710	-	3,996,233
Acquisitions /Transfers in	-	290	50	-	383	-	805	395	-	-	651	442	3,016
Disposal/Transfer out	-	-	-	(579)	(46,888)	-	(2,332)	(11,128)	-	-	(290)	(4)	(61,221)
Balance as at December 31, 2012	641,083	1,052,744	5,411	-	1,651,718	9,419	176,973	32,541	278,030	81,600	8,071	438	3,938,028
<u>Accumulated depreciation</u>													
Balance as at January 1, 2011	-	145,259	624	522	333,931	5,497	157,445	29,458	260,661	71,252	-	-	1,010,649
Increased from Purchase Business	47,118	413,263	742	-	716,520	-	7,922	8,532	-	-	-	-	1,194,097
Acquisitions /Transfers in	323	24,652	315	57	75,421	1,884	5,244	1,695	3,500	4,080	-	-	117,171
Transfer out on investment in subsidiaries	-	(7,022)	(631)	-	(10,520)	-	(1,994)	-	-	-	-	-	(20,167)
Disposal/Transfer out	-	-	-	-	-	-	(63)	(1,972)	-	-	-	-	(2,035)
Balance as at December 31, 2011	47,441	576,152	1,050	579	1,121,352	7,381	168,554	37,713	264,161	75,332	-	-	2,299,715
Acquisitions /Transfers in	423	33,502	269	-	83,728	1,889	4,122	1,617	3,500	1,962	-	-	131,012
Disposal/Transfer out	-	-	-	(579)	(46,861)	-	(2,328)	(8,950)	-	-	-	-	(58,718)
Balance as at December 31, 2012	47,864	609,654	1,319	-	1,158,219	9,270	170,348	30,380	267,661	77,294	-	-	2,372,009

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

	In Thousand Baht												
	Consolidated												
	Land and improvement	Buildings	Building improvement	Improvement office	Machinery	Improvement Machinery	Tools and Equipment	Vehicle	Tools Pile	Water/Fence Wells/Road /Culvert	Work in Process	Machinery and Equipment in Process	Total
<u>Net book value</u>													
December 31, 2011	593,642	476,302	4,311	-	576,871	2,038	9,946	5,561	13,869	6,268	7,710	-	1,696,518
December 31, 2012	593,219	443,090	4,092	-	493,499	149	6,625	2,161	10,369	4,306	8,071	438	1,566,019
<u>Depreciations included in profit or loss for the years</u>													
2011													117,171
2012													130,722

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to the Financial Statements (Continued)
For the year ended December 31, 2012

	In Thousand Baht									
	Separate financial statements									
			Building improvement	Improvement office	Machinery	Improvement Machinery	Furniture and Equipment	Vehicle	Machinery and Equipment in Process	Total
Cost	Land	Buildings								
Balance as at January 1, 2011	41,538	26,467	7,245	579	137,022	9,419	24,945	14,561	-	261,776
Acquisitions /Transfers in	-	-	-	-	-	-	292	224	-	516
Transfer out to non current assets held for sale	-	(13,467)	(1,884)	-	(10,520)	-	(2,377)	-	-	(28,248)
Disposal/Transfer out	-	-	-	-	-	-	(63)	(42)	-	(105)
Balance as at December 31, 2011	41,538	13,000	5,361	579	126,502	9,419	22,797	14,743	-	233,939
Acquisitions /Transfers in	-	-	50	-	-	-	489	105	442	1,086
Disposal/Transfer out	-	-	-	(579)	(46,726)	-	(2,328)	(318)	(4)	(49,955)
Balance as at December 31, 2012	41,538	13,000	5,411	-	79,776	9,419	20,958	14,530	438	185,070
Accumulated depreciation										
Balance as at January 1, 2011	-	8,560	1,366	522	88,947	5,497	17,969	10,950	-	133,811
Acquisitions /Transfers in	-	984	315	57	7,065	1,884	3,389	1,181	-	14,875
Transfer out to non current assets held for sale	-	(7,022)	(631)	-	(10,520)	-	(1,994)	-	-	(20,167)
Disposal/Transfer out	-	-	-	-	-	-	(63)	(42)	-	(105)
Balance as at December 31, 2011	-	2,522	1,050	579	85,492	7,381	19,301	12,089	-	128,414
Acquisitions /Transfers in	-	652	269	-	6,767	1,888	2,246	1,028	-	12,850
Disposal/Transfer out	-	-	-	(579)	(46,725)	-	(2,327)	(174)	-	(49,805)
Balance as at December 31, 2012	-	3,174	1,319	-	45,534	9,269	19,220	12,943	-	91,459

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

	In Thousand Baht									
	Separate financial statements									
	Land	Buildings	Building improvement	Improvement office	Machinery	Improvement Machinery	Furniture and Equipment	Vehicle	Machinery and Equipment in Process	Total
<u>Net book value</u>										
December 31, 2011	41,538	10,478	4,311	-	41,010	2,038	3,496	2,654	-	105,525
December 31, 2012	41,538	9,826	4,092	-	34,242	150	1,738	1,587	438	93,611
<u>Depreciations included in profit or loss for the years</u>										
2011										14,875
2012										12,850

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012**Consolidated Financial Statements

As at December 31, 2012 and December 31, 2011, The Group mortgaged land and building in book value of Baht 452.45 million and Baht 459.09 million respectively, and some machine in book value of Baht 56.03 million and Baht 75.06 million respectively, is collateral for loans from the financial institution with note No.19.

As at December 31, 2012 and December 31, 2011, The Group mortgaged land and building in the book value of Baht 594.35 million and Baht 645.56 million, is collateral for loans from other person and company as in note No.24.

As of December 31, 2012 and December 31, 2011, The Group had assets with the depreciation fully calculated but still operate which had a cost value of Baht 334.98 million and Baht 387.62 million respectively. The net book value was Baht 4,335.00 million and Baht 4,166.00 million respectively.

Separate Financial Statements

As of December 31, 2012 and December 31, 2011, the Company mortgaged land and building in book value of Baht 55.45 million and Baht 56.33 million respectively, and some machine in book value of Baht 23.19 million and Baht 29.95 million respectively, is collateral for loans from the financial institution with note No.19.

As of December 31, 2012 and December 31, 2011, the Company had assets with the depreciation fully calculated but still operate which had a cost value of Baht 36.49 million and Baht 86.97 million respectively. The net book value was Baht 649.00 million and Baht 487.00 million respectively

18. OTHER RECEIVABLE – ADVANCE PAYMENT GOODS-NET

	In Thousand Baht	
	Consolidated and Separate financial statements	
	2012	2011
Other receivable-advance payment goods	-	322,472
Less Allowance for doubtful	-	(161,236)
Net	-	161,236
Bad debts and doubtful debts expense (Reversal) for the year.	(31,678)	161,236

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012**

The consolidated and separate financial statements as at December 31, 2011, the whole amount is other account receivable from the Company had made the advance payment for goods to a hot-rolled coil steel producer and distributor which it had pledged the machines, in accordance with the machines pledging agreement on October 4, 2010. During 2011, the management has re-assessed the fair value of such machinery by the independent appraiser according to the report of appraisal in November 2011. The machinery has the fair value in amount of Baht 898.98 million and the force sell value in amount of Baht 500 million. In 2011, such debtor company has not delivered the goods to the Company as agreed so the Company had temporarily ceased the business transaction and requested such company to repayment the advance to the Company. However, on November 1, 2011, the debtor company has issued the letter of request for gradually debt repayment, (the debt as of the letter of request for gradually debt repayment date was in amount of Baht 328.07 million, and such debt was exclude value added tax.) Which the debtor will lead the cash from increased capital from investors or the financial institute which suppose to finish within April 2012, to pay the Company in amount not less than 50% of the outstanding debt and debtor will gradually repay remainder debt as per month, by settle during November – December 2011 in amount of Baht 3.00 million per month, during January – March 2012 in amount of Baht 6.00 million per month, during April – December 2012 in amount of Baht 10.00 million per month, during January – March 2013 in amount of Baht 11 million per month and April 2013 for the remaining. However, the debtor is unable to repay the debt as the term and condition in the letter of request gradually repayment dated November 1, 2011. Thus, the Company's management has recognized some allowance for doubtful accounts in amount of Baht 161.24 million and believe that such allowance is proper and adequate for the loss which may incur. However, the Company will retain the right to force on pledged machinery until the debtor has repaid to the Company completely.

Later, the debtor has proposed compromise agreement to the Company which offer a new condition to hair cut some debt and the remaining amount will settle by converting the debt into newly issued shares of the debtor which is listed on the Stock Exchange of Thailand, in amount of 508,071,269 shares, at the price of Baht 0.50 which the Company's management has agreed and accept in such compromise agreement. On September 21, 2012, the Company has received newly ordinary shares of the debtor in amount of 508,071,269 shares, which fair value in amount of Baht 174.74 million to be settled all debt repayment and has reversed allowance for doubtful account in amount of Baht 31.68 million. For the investment received, the Company has classified as available for sale investment as in note no No.13.

19. CREDIT FACILITIES AND GUARANTEE

The Group has credit line from commercial bank and several financial institutions in form overdraft, trust receipts, short-term and long-term loan, the letter of guarantee, note receivable discount and factoring by granted the total credit line as at December 31, 2012 and December 31, 2011, in amount of Baht 2,043.06 million and Baht 1,374.56 million respectively, and credit line for forward contract in amount of US Dollars 4.00 million, equally for both periods. It is pledged by the Company's mortgage register of land and building and some part machine of the Company, some part land and building and machine of subsidiary company, land plus building of a director and related companies, notes receivable and inventories of a company, a part of deposit at bank and guaranteed director, related companies and subsidiary company and beneficiary from insurance in building, machinery and equipment to commercial bank and financial institutions.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012****20. LOANS THAT DUE FOR REPAYMENT**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Trust receipts	462,127	104,391	462,127	104,391
Promissory note	195,499	379,900	195,499	379,900
Long-term loans from financial institutions	373,732	261,429	373,732	261,429
Total	1,031,358	745,720	1,031,358	745,720

The loans that due for repayment is loans from two financial institutions as follows:

The first financial institution

The consolidated and separate financial statements as at December 31, 2012, the loan which due to payment was arisen from trust receipt, promissory notes, and long-term loan in amount of Baht 1,031.36. However, the Company had entered into debt restructuring agreement dated August 16, 2011, However, as of December 31, 2012, the Company did not completely repay the debt in accordance with the debt restructuring agreement, thence reclassified such debt as the loan which due to payment, the Company is under negotiation of new repayment term with such finance institute.

The consolidated and separate financial statements as at December 31, 2012, the company has the restricted bank deposit in amount of Baht 28.06 million with such financial institute.

The second financial institution

The consolidated and separate financial statements as at December 31, 2011, the loan which due to payment was arisen from trust receipt, promissory notes, and long-term loan in amount of Baht 745.72 million which the Company had entered into debt restructuring agreement dated September 30, 2011, such agreement had relented the terms and conditions of debt repayment to the Company. However, as at December 31, 2011, the Company did not completely repay the debt in accordance with the debt restructuring agreement, thence reclassified such debt as the loan which due to payment. However, the Company and the financial institution have agreed to sign the debt restructuring agreement no. 5, dated June 27, 2012, so the Company reclassify such loan to the account of debt under restructuring agreement as in note No 26.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012****21. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Bank overdrafts	9,976	10,584	9,976	10,584
Bill of exchange and discount post date cheque	27,679	26,872	26,996	26,872
Account payable factoring	23,230	8,179	-	4,457
Trust receipts	26,884	262,381	26,884	262,381
Promissory note	16,000	395,900	16,000	395,900
<u>Less</u> Loans that due for repayment	-	(484,292)	-	(484,292)
Amortization of deferred service fee in borrowing	-	(2,083)	-	(2,083)
Net	103,769	217,541	79,856	213,819

21.1 The consolidated and separate financial statement as at December 31, 2012 and December 31, 2011, the Company took bill of exchange and notes receivable to discount with merchant bank are carried by interest rates of 7.00% - 7.87% and 6.75% - 7.25% per annum, respectively.

21.2 The consolidated and separate financial statement as at December 31, 2011, account payable factoring arisen from the Company took account receivable to discount with merchant bank are carried by interest rates of 8.75% - 8.87% per annum.

21.3 The consolidated and separate financial statement as at December 31, 2012 and December 31, 2011, trust receipt is carried by interest rates of 6.00 - 6.13% per annum and 5.87% - 15.00% per annum. 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 to the merchant bank.

As at December 31, 2011, partly trust receipt in amount of Baht 104.39 million respectively, is trust receipt that due for repayment. The Company has presented the whole amount of such loan as liability that due for repayment in accordance with note No.20.

21.4 The consolidated and separate financial statement as at December 31, 2012 and December 31, 2011, short term loan from the financial institutes is borrowing in form of promissory note, carried interest rate of 7.00 - 7.13% per annum and 5.00% - 7.13% per annum, respectively.

As at December 31, 2011, partly promissory note in amount of Baht 379.90 million, is promissory note that due for repayment. The Company has presented the whole amount of such loan as liability that due for repayment in accordance with note No.20.

Such above loan from financial institutions constitutes have collateral according to note No.19.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012****22. TRADE AND OTHER ACCOUNTS PAYABLE – OTHER COMPANIES**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Trade account payable				
Trade account payables	595,350	449,475	512,447	373,367
Other account payable				
Accrued expenses	12,773	12,811	5,415	5,479
Other account payable	19,403	10,098	15,306	5,570
Others	154	162	30	30
Total	32,330	23,071	20,751	11,079
Grand Total	627,680	472,546	533,198	384,446

23. TRADE AND OTHER ACCOUNTS PAYABLE – RELATED PARTIES

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Trade account payable				
Trade Account Payable	8,647	8,647	8,647	10,226
Other account payable				
Accrued expenses	1,805	599	952	203
Other Payable	2,920	143	4,141	274
Others	-	-	200	-
Total	4,725	742	5,293	477
Grand Total	13,372	9,389	13,940	10,703

24. SHORT-TERM LOANS FROM OTHER PERSON AND COMPANY

The consolidated financial statement as at December 31, 2012 and 2011, the part amount of Baht 300 million is short – term loans from other person and company, carried interest rate of 15% per annum, while the subsidiary company mortgaged land and building is collateral of loans. By the subsidiary company and the lender makes the mortgage land contract and considered this as evidence of the loans contract, while the mortgages has term to redeem for three months (maturity date of June 21, 2011) and when due, the subsidiary company and lender agree to continue extended the due period for next 3 months, in each time of extended, the borrower has charged the extended fees in the rate of 11.40% per annum and interest in the rate of 15.0% per annum, The final maturity date is October 22, 2012 which the subsidiary has not extended the maturity date, due to under negotiation of new condition to repayment.

The consolidated financial statement as at December 31, 2012, the part amount of Baht 5.00 million is short – term loans from other person, carried interest rate of 12% per annum, while the subsidiary company mortgaged investment property is collateral of loans.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

25. LIABILITIES UNDER FINANCIAL LEASE AGREEMENT

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Liabilities under financial lease agreement	1,475	2,375	1,269	2,066
<u>Less</u> Deferred Interest	(117)	(242)	(67)	(166)
Net	1,358	2,133	1,202	1,900
<u>Less</u> Current portion	(819)	(775)	(743)	(698)
Net	539	1,358	459	1,202
Present value of minimum lease payment				
Within one year	819	775	743	698
After one year but within five years	539	1,358	459	1,202
Total	1,358	2,133	1,202	1,900

Future minimum lease payments required under the finance lease agreements were as follows:

	In Thousand Baht					
	Consolidated financial statements					
	2012			2011		
	Future minimum lease payment	Interest	Present value of minimum lease payment	Future minimum lease payment	Interest	Present value of minimum lease payment
Within one year	900	(81)	819	900	(125)	775
After one year but within five years	575	(36)	539	1,475	(117)	1,358
Total	1,475	(117)	1,358	2,375	(242)	2,133

	In Thousand Baht					
	Separate financial statements					
	2012			2011		
	Future minimum lease payment	Interest	Present value of minimum lease payment	Future minimum lease payment	Interest	Present value of minimum lease payment
Within 1 year	797	(54)	743	797	(99)	698
1-5 years	472	(13)	459	1,269	(67)	1,202
Total	1,269	(67)	1,202	2,066	(166)	1,900

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012**

The consolidated financial statement as at December 31, 2012 and December 31, 2011, the Group comprises asset under the financial leased agreement in the type of vehicle. The net book value of Baht 1.43 million and Baht 2.22 million respectively, and the separate financial statements as at December 31, 2012 and December 31, 2011, There is net book value of Baht 1.27 million and Baht 1.97 million respectively. The Group will receive ownership in such asset when the Company completely repays debt to creditors in accordance with the financial leased agreement.

26. DEBT UNDER RESTRUCTURING AGREEMENT

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Long term loans from financial institutions	1,481,302	1,104,700	1,481,302	1,104,700
Accrued interest pending for waiving	20,836	20,836	20,836	20,836
Accrued interest expenses under restructuring agreement	56,515	-	56,515	-
<u>Less</u> Current portion	(248,667)	(19,665)	(248,667)	(19,665)
Amortization of deferred service fee in borrowing	-	(3,752)	-	(3,752)
Net	1,309,986	1,102,119	1,309,986	1,102,119
<u>Less</u> Loans that due for repayment	(864,108)	(261,428)	(864,108)	(261,428)
Net	445,878	840,691	445,878	840,691

For the years ended December 31, 2012 and 2011, the movement of long-term loans are as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Balance as of beginning	864,108	650,779	864,108	650,779
Transfer out to loan that due for repayment	(843,272)	(261,428)	(843,272)	(261,428)
Transfer to accrued interest	(20,836)	-	(20,836)	-
Transfer from loan that due to repayment	792,646	490,376	792,646	490,376
Realized debt under restructuring agreement to reduce interest expense	(411)	-	(411)	-
Repayment	(97,690)	(15,619)	(97,690)	(15,619)
Balance as of ending	694,545	864,108	694,545	864,108

The debt under restructuring agreement are loans from two financial institutions as follows:

The first financial institution

26.1 The consolidated and separate financial statement as at December 31, 2012 and December 31, 2011, the Company loan credit line of Baht 400 million is already repayable remaining amount of Baht 373.73 million equally for two period, interest rates of 7.75% – 9.00% per annum, derived from the debt restructuring contract with the financial institutes dated August 16, 2011, the term of repayment are as follows :

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012**Term of the debt restructuring contract

<u>Installment</u>	<u>Principal Repayable</u> <u>per Installment</u> (In Million Baht)	<u>Interest Rates(%)</u> <u>(Per Annum)</u>
July 2011	5.41	SPRL+1
August 2011 – June 2012	2.54	SPRL+1
July 2012 – May 2017	6.20	SPRL+1
June 2017	Outstanding	SPRL+1

In accordance with the condition of debt restructuring agreement as above, the financial institution will bring the installment paid since July 2011 to May 2017 to settle all accrued interest payable every month, the remaining will be settled the old accrued interest payable and the principal respectively. The interest pending for waiving is in amount of Baht 0.61million.

- 26.2 The consolidated and separate financial statement as at December 31, 2012 and December 31, 2011, short term loan from the financial institutes is borrowing in form of promissory note in amount of Baht 195.50 million equally for two period, carried interest rate of 7.75% – 9.00% per annum derived from the debt restructuring contract with the financial institutes dated August 16, 2011, the term of repayment are as follows :

Term of the debt restructuring contract

<u>Installment</u>	<u>Principal Repayable</u> <u>per Installment</u> (In Million Baht)	<u>Interest Rates(%)</u> <u>(Per Annum)</u>
July 2011	2.92	SPRL+1
August 2011 – May 2013	1.37	SPRL+1
June 2013	Outstanding	SPRL+1

In accordance with the condition of debt restructuring agreement as above, the financial institution will bring the installment paid since July 2011 to May 2013 to settle all accrued interest payable every month, the remaining will be settled the old accrued interest payable and the principal respectively. The interest pending for waiving is in amount of Baht 6.09 million.

- 26.3 The consolidated and separate financial statement as at December 31, 2012 and December 31, 2011, trust receipt in amount of Baht 274.04 million equally for two period, is carried by interest rates of 7.75% - 9.00% per annum , 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 to the merchant bank, derived from the debt restructuring contract with the financial institutes dated August 16, 2011, the term of repayment are as follows :

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to the Financial Statements (Continued)
For the year ended December 31, 2012

Term of the performance of debt restructuring contract

<u>Installment</u>	<u>Principal Repayable per Installment</u>	<u>Interest Rates(%) (Per Annum)</u>
	(In Million Baht)	
July 2011	4.21	SPRL+1.25
August 2011 – May 2013	1.98	SPRL+1.25
June 2013	Outstanding	SPRL+1.25

In accordance with the condition of the debt restructuring agreement as above, the financial institution will bring the installment paid since July 2011 to May 2013 to settle all accrued interest payable every month, the remaining will be settled the old accrued interest payable and the principal respectively. The interest pending for waiving is in amount of Baht 14.13 million.

As at December 31, 2012, the Company does not repay the debt to comply with the debt restructuring agreement. The Company has shown the amount of loan to loans due for repayment as in note No.20.

The second financial institution

- 26.4 The consolidated and separate financial statement as at December 31, 2011, loan in credit line of Baht 334.87 million which the outstanding loan amount of Baht 261.43 million, which is loan that derived from the debt restructuring contract dated September 30, 2011, with the creditor of finance institution. The contract determine the Company has to pledge additional securities within March, 2012, and has term of repayment according in the contract. However As at December 31, 2011, the Company did not pay the loan installment according in the contract; the Company has shown such loan amount to loans due for repayment as in note 20.

Later, the Company and the financial institute has entered in to the debt restructuring contract no. 5 dated September, 27, 2012. The contract has define important condition such as finding additional securities, transferred assets to settle the debt. The contract has classify the debt to 3 tranches which as following :

First tranche : The principal amount of Baht 261.43 million, accrued interest amount of Baht 24.87 million, remaining balance amount of Baht 277.07 million, the financial institution agree to discount interest rate from default rate to former contract rate. An accrued interest after discount amount of Baht 16.82 million which agree to monthly installments in amount of Baht 500,000, commencing in January 2013 onward and will completely repayment in October 2015. The principle debt bear interest rate at MLR per annum, the principle is repayable on a monthly basis commencing on January 2013 which has term of repayment as followings :

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to the Financial Statements (Continued)
For the year ended December 31, 2012

<u>Installment</u>	<u>Principal Repayment per Installment</u> (Million Baht)
January 2013 - December 2013	2.0
January 2014 - November 2017	5.0
December 2017	Outstanding

Second tranche : The principal amount of Baht 262.56 million, accrued interest amount of Baht 24.10 million, remaining balance amount of Baht 209.25 million, the financial institution agree to discount interest rate from default rate to former contract rate. An accrued interest after discount amount of Baht 8.78 million which agree to monthly installments in amount of Baht 500,000, commencing in January 2013 onward and will completely repayment in October 2014. The principle debt bear interest rate at MLR per annum, the principle is repayable on a monthly basis commencing on January 2013 which has term of repayment as followings :

<u>Installment</u>	<u>Principal Repayment per Installment</u> (Million Baht)
January 2013 - December 2013	1.0
January 2014 - August 2015	12.0
September 2015	Outstanding

Third tranche : The principal amount of Baht 211.73 million, accrued interest amount of Baht 17.18 million, remaining balance amount of Baht 208.22 million, the financial institution agree to discount interest rate from default rate to former contract rate. An accrued interest after discount amount of Baht 8.85 million which agree to monthly installments in amount of Baht 500,000, commencing in January 2013 onward and will completely repayment in September 2014. The principle debt bear interest rate at MLR per annum, the principle is installment repayment for every three months, commencing September 2012 and will be completely repayment within December 2013 which has term of repayment as followings :

<u>Installment</u>	<u>Minimum Principal Repayment per Installment</u> (Million Baht)
September 2012	17.1
December 2012 - September 2013	30.0
December 2013	Outstanding

Such above loan from financial institutions constitutes collateral according to note No.19

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

27. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefits obligations is compensations on employee's retirement, was as follows:

	In Thousand Baht			
	Consolidated		Separate financial	
	financial statements		statements	
	2012	2011	2012	2011
Defined benefit obligations at January 1	3,852	2,718	1,335	1,037
Current service costs	352	409	224	252
Interest on obligation	141	137	63	46
Service cost in prior year of subsidiary from purchased business	-	588	-	-
Defined benefit obligations at December 31, 2012	4,345	3,852	1,622	1,335

Long-term employee benefit expenses included in the profit or loss was as follows:

	In Thousand Baht			
	Consolidated		Separate financial	
	financial statements		statements	
	2012	2011	2012	2011
Prior year service cost	-	2,718	-	1,037
Current service costs	352	409	224	252
Interest on obligation	141	137	63	46
Total expenses in profit or loss	493	3,264	287	1,335
Line items under which such expenses are include in profit or loss				
Cost of goods sold and services	44	1,089	7	134
Selling expenses	30	660	1	4
Administrative expenses	62	266	1	39
Management benefits expense	216	1,112	215	206
Total	352	3,127	224	1,289

Principal actuarial assumptions at the valuation date were as follows:

	In Thousand Baht			
	Consolidated financial		Separate financial statements	
	statements		statements	
	2012	2011	2012	2011
	(%)	(%)	(%)	(%)
Discount rate	3.36 - 4.41	3.36 - 4.41	3.36 - 4.41	3.36 - 4.41
Salary increase rate	0.33 - 3.73	0.33 - 3.73	0.33 - 3.73	0.33 - 3.73
Mortality rate	50-100	50-100	50-100	50-100
(Thai Mortality Ordinary Table 2008)	of mortality	of mortality	of mortality	of mortality
Disability rate	10 - 15	10 - 15	10 - 15	10 - 15
	of mortality	of mortality	of mortality	of mortality
Employee turnover rate	0 - 57	0 - 57	0 - 57	0 - 57

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

28. SHARE CAPITAL

Authorized share capital and paid up share capital are movement as follows :

	Par Value	Consolidated and Separate financial statements				
		2012			2011	
		Number of Share	Amount	Book value	Number of Share	Amount
		<u>Thousand shares</u>	<u>Thousand Baht</u>	<u>Baht</u>	<u>Thousand shares</u>	<u>Thousand Baht</u>
	<u>Baht</u>					
Authorized share capital						
Ordinary shares at beginning of the period	1.00	1,500,000	1,500,000	0.10	10,000,000	1,000,000
<u>Less</u> Change in Ordinary shares value	-	-	-	1.00	(9,000,000)	-
<u>Add</u> Increase ordinary shares	1.00	3,000,000	3,000,000	1.00	500,000	500,000
<u>Less</u> Decrease ordinary shares	1.00	(500,000)	(500,000)	-	-	-
Ordinary shares at ending of the period	<u>1.00</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>1.00</u>	<u>1,500,000</u>	<u>1,500,000</u>
Issue and paid-up share capital						
Ordinary shares at beginning of the period	1.00	1,000,000	1,000,000	0.10	10,000,000	1,000,000
<u>Less</u> Change in Ordinary shares value	-	-	-	1.00	(9,000,000)	-
<u>Add</u> Increase ordinary shares	1.00	2,913	2,913	-	-	-
Ordinary shares at ending of the period	<u>1.00</u>	<u>1,002,913</u>	<u>1,002,913</u>	<u>1.00</u>	<u>1,000,000</u>	<u>1,000,000</u>

2011

Accordance with the minute of the extra-ordinary shareholders meeting no. 1/2011 on February 25, 2011, it materially resolves as follows:

1. Change approval of ordinary shares par value of the Company from the formerly value of Baht 0.10 per share to value of Baht 1.00 per share. As a result, the Company's ordinary shares drop from 10,000 million shares to 1,000 million shares. The Company is proceeding with register of the Company's shares value amendment and number of shares plus correcting articles of association letter to the Commercial Business Development Department of the Ministry of Commerce, completed on March 15, 2011.
2. Increment approval of registered capital from the formerly 1,000 million shares to 1,500 million shares by issuing newly ordinary shares in number of 500 million shares at value of Baht 1.00 per share in order to offer to restricted persons. There is purpose to be working capital and reserve for entity expansion of the Company and subsidiary company. The Company has registered with the Ministry of Commerce, completed on March 15, 2011.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

2012

According the resolution of extra shareholder meeting no 1/2012 dated July 20, 2012 and according the resolution of the board of directors' meeting no. 5/2012 dated September 18, 2012, which could be summarized a significant resolution as follows :

1. Had resolution to decrease the registered capital from Baht 1,500,000,000 to Baht 1,000,000,000 by deducting the unissued registered shares of 500,000,000 shares with the par value of Baht 1.00 per share.
2. Had resolution to increase the registered capital from Baht 1,000,000,000 to Baht 4,000,000,000 by issuing 3,000,000,000 new ordinary shares with the par value of Baht 1.00 per share. Currently, the Company has already changed its registered capital with the Department of Business Development, Ministry of Commerce.
3. Had resolution to issue and offer the warrant to purchase the ordinary share of the Company to the private placement investors who support loan to the Company and/or its Subsidiaries in the amount of not more than 1,000,000,000 units with no charge. The warrant would be 3 year term. The exercise ratio would be 1 unit of warrant per 1 ordinary share and the exercise price would be at Baht 0.50 per share.
4. Had resolution to issue and offer 2,000,000,000 new ordinary shares with the par value of Baht 1.0 per share to the existing shareholders of the Company at ratio of 1 old share to 2 new shares (subscription over the right is allowed) at the offering price of Baht 0.50 per share .

The Company has received the incremental share capital in amount of 2,913,226 shares, par value of Baht 1.00 per share. As a result, the Company issued and paid-up share capital increase to Baht 1,002,913,226 from the former Baht 1,000,000,000. The Company has already changed its paid-up share capital with the Department of Business Development, Ministry of Commerce.

29. THE COMPENSATION OF ACCUMULATED LOSS

In accordance with the minute of the Annual General Shareholders' Meeting of 2011, dated on April 29, 2011, unanimously resolved to approve to transfer premium on share capital in amount of Baht 156.37 million to compensate accumulated losses.

30. CORPORATE INCOME TAX

For the years ended December 31, 2012 and 2011, the Group calculates tax at 23% (For the years ended December 31, 2011 calculates tax at 30%). The Group computed tax of accounting net profit after adding adjusted transaction in accordance with the Revenue Code which mainly are accumulated loss carried not over 5 years, doubtful debt, depreciation that far rate which specify in the Revenue Code and loss from declining in value, etc.

31. PROVIDENT FUND

The Company had provident fund covering substantially all employees. This fund was registered with the Ministry of Finance under the Provident Fund Act B.E.2530, in the name of "TISCO 2 Registered Provident Fund". The fund is contributed to by the Company and its employees at rates ranging from 2% of the employees' salaries the Fund is managed by Tisco Securities Company Limited and will be paid to the employees upon termination in accordance with the rules of fund. The contributions are recognised as expenses in the year in when they are incurred. For the year ended 2012 and 2011, the company has provident fund expense in amount of Baht 131,619 and Baht 346,744, respectively.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012****32. EARNINGS (LOSS) PER SHARE**

For the year ended December 31, 2012 and 2011, the Company calculates earnings (loss) per share as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Earnings (loss) per share				
Profit (loss) for the year	(375,449)	(389,226)	(305,970)	(306,707)
The weighted average of number of ordinary shares (Thousand shares)	1,002,913	1,000,000	1,002,913	1,000,000
Basic earnings (loss) per share	(0.374)	(0.389)	(0.305)	(0.307)

33. EXPENSES BY NATURE

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Changing within finished goods and work in process	(158,976)	136,929	(171,966)	190,422
Raw material used	1,100,873	2,029,603	620,540	1,142,726
Value of purchase finish goods for sale	1,887,266	1,873,106	1,711,500	2,093,652
Loss from declining in value of inventories (Reversal)	(872)	6,265	3,042	3,989
Employee expenses	78,933	42,212	31,532	19,798
Depreciation	135,520	122,281	17,176	19,510
Transportation and pilling expenses	53,077	31,423	-	-
Loss from impairment of investment in subsidiary companies	-	-	77,602	28,013
Loss from impairment of assets	-	7,698	-	7,698
Doubtful accounts (Reversal)	(26,273)	149,266	(26,381)	149,236
Unrealized loss from exchange rate	-	3,131	-	3,131
Unrealized (gain) loss from investment in trading security	45	521	45	521
(Gain) loss from investment in trading security	3,725	-	3,725	-
Interest expenses	337,960	203,613	257,304	166,151
Other expenses	100,224	40,087	44,074	56,856
Total	<u>3,511,502</u>	<u>4,646,135</u>	<u>2,568,193</u>	<u>3,881,703</u>

34. SEGMENT FINANCIAL INFORMATION

The Group is operating in business sector, i.e. distribution of material type steel coil, steel slit and steel billets and distribution of finished goods type steel pipe and steel products and manufacture foundation pile plus transportation and hammer foundation pile and engagement of steel production and all steel pipe, which include in other business and operates in one geographical area only in Thailand. Thus all income,

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

profit and entire assets shown in the financial statements are related to the said business sector and geographical area.

The segment financial information of the Company and its subsidiaries for the years ended December 31, 2012 and 2011 are as follows:

	In Thousand Baht					
	Consolidated financial statements					
	For the year ended December 31, 2012					
	Steel Business		Business Piles		Other	Eliminate
	Distribution of Material	Distribution of Finished Good	Produce and Distribution	Service		Total
Sales and service	181,603	2,557,295	198,968	87,751	7,779	3,017,836
Profit(loss)from Operation	28	(20,363)	(15,462)	(8,871)	(43,875)	(88,543)
Others income						44,808
Common expenses						(67,152)
Finance costs						(337,971)
Corporate income tax						(631)
Profit(loss) for the period						(449,489)
Non – controlling interests						74,040
Profit(loss) for the equity holders of the company						(375,449)
Fixed assets	————1,040,205 ———		————525,814 ———			1,566,019
Other assets						2,718,246
Total assets						4,284,265

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

	In Thousand Baht						
	Consolidated financial statements						
	For the year ended December 31, 2011						
	Steel Business		Business Piles		Other	Eliminate	Total
	Distribution of Material	Distribution of Finished Good	Produce and Distribution	Service			
Sales and service	747,911	3,484,499	111,014	67,211	2,593	(222,820)	4,190,408
Profit(loss)from Operation	1,181	40,603	(25,054)	(10,750)	(8,940)		(2,960)
Others income							48,294
Common expenses							(249,154)
Finance costs							(203,613)
Corporate income tax							-
Profit(loss) for the period							(407,433)
Non – controlling interests							18,207
Profit(loss) for the equity holders of the company							(389,226)
Fixed assets	1,119,531		576,987				1,696,518
Other assets							2,621,275
Total assets							4,317,793

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012****35. OBLIGATIONS AND CONTINGENT LIABILITIES**

35.1 A part from liabilities shown on the financial statements, the Group still remains other obligations and contingent liabilities with commercial banks as follows :

	In Million Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Contingent liabilities with Commercial banks				
- Letters of credit				
Credit line 462.00 million, credit used	-	91.97	-	91.97
- Letters of guarantee	4.97	4.97	1.99	1.99
Contingent liabilities with other person				
- Advance note payable for pledged	9.75	-	-	-

The consolidated financial statement as at December 31, 2012 and December 31, 2011, letter of guarantee restriction bank deposit pledge for collateral in amount of Baht 3.21 Million and Baht 4.92 million.

35.2 The Company comprises obligation commitment according to the contract of labor engagement to produce steel with one company. The contract holds the life of one year ended on August 31, 2012 and 2013. It is determined that the life is automatically renewed for the period of 1 year. The engagement fee is in the rate of Baht 142,500.00 per month on August 1, 2011; it has changed the wage rate to actual wage rate and charged the handling fee with 3.50% per annum of the actual wage.

36. FINANCIAL INSTRUMENT

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations" , principally comprise cash and cash equivalents, trade accounts receivable, loans, investments, and trade account payable, short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

36.1 Policy to Manage Financial Risks

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rate and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

36.2 Risks on Interest Rate

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

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
Notes to the Financial Statements (Continued)
For the year ended December 31, 2012

The Group had assets and liabilities instruments to hedge against this risk as follows:

	Consolidated financial statements			
	Amount (Million Baht)		Interest rate per annum	
	2012	2011	2012	2011
Saving deposit	1.20	2.56	0.25 - 0.85	0.50 - 0.87
Restriction bank deposit	31.27	6.09	0.25 - 0.85	0.87
Loans that due for repayment	1,031.36	745.72	8.75 - 21.00	5.00 - 15.00
Short-term loans from financial institutions	103.77	217.54	3.40 - 7.87	5.00 - 15.00
Short-term loan from other person and other company	300.00	300.00	15.00	15.00
Liabilities under financial lease	1.48	2.37	3.40 - 7.00	3.40 - 7.00
Long-term loans from financial institutions	694.54	860.36	7.00 - 7.13	7.25 - 21.00
	Separate financial statements			
	Amount (Million Baht)		Interest rate per annum	
	2012	2011	2012	2011
Saving deposit	0.06	2.55	0.25 - 0.85	0.87
Short-term loans to subsidiary company	-	4.18	7.13 - 7.25	6.62 - 7.25
Restriction bank deposit	28.06	1.17	0.25 - 0.85	0.87
Loans that due for repayment	1,031.36	745.72	8.75 - 21.00	5.00-15.00
Short-term loans from financial institutions	79.86	213.82	6.00 - 7.87	5.00 - 15.00
Liabilities under financial lease	1.23	2.00	3.40 - 7.00	3.40 - 7.00
Long-term loans from financial institutions	694.54	860.36	7.00 - 7.13	7.25 - 21.00

36.3 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 Group constitutes risk with respect to the change of exchange rate. However, the Group will consider using appropriately financial derivative so as to hedge against such risk when the exchange rate situation holds unstable trend.

The balances of financial assets and liabilities denominated in foreign currencies are summarized below.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**Notes to the Financial Statements (Continued)****For the year ended December 31, 2012**

		In million baht			
		Consolidated financial statements			
		Financial assets		Financial liabilities	
Currency		2012	2011	2012	2011
US Dollar		-	-	3.11	2.44

		In million baht			
		Separate financial statements			
		Financial assets		Financial liabilities	
Currency		2012	2011	2012	2011
US Dollar		-	-	3.11	2.44

36.4 Credit risk

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

36.5 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.

37. CAPITAL MANAGEMENT

The objectives of the Company's capital management are arrangement of appropriated financial structure and maintenance of ability in continuously business operation whereas there is policy of debt to equity ratio maintenance to hold in the rate that the Company can operate business of the Company while there is appropriated capital cost burden including policy of debt to equity ratio maintenance to comply with term in the loan contract that there are related financial institutes.

The consolidated financial statement as of December 31, 2012 and 2011, debt to equity ratio are 2.53 and 1.67 : 1, respectively.

The Separate financial statement as of December 31, 2012 and 2011, debt to equity ratio are 3.27 and 2.11 : 1, respectively.

38. LITIGATION

As at 31 December 2012, two lawsuits had been filed against a subsidiary , claiming in the amount Baht 47.59 Million This comprised debt of Baht 46.82.million arising from the purchase of goods and interest charges of Baht 0.77 million plus interest until the payment is settled. The subsidiary has recorded the full amount of this cost in its accounts. However, the amount payable has not yet been finalised because the case is being heard by the Court, However, the management of the Company and the subsidiary believe that no significant damage will be suffered by the Company and the subsidiary and no provision has been recorded in respect of the accrued interest in connection with these claims.

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

39. RECLASSIFICATION OF ACCOUNTS

The Company has reclassified the comparative statement of financial position as at December 31, 2011 and January 1, 2011 to conform with the presentation of current period as follow.

	In Thousand Baht					
	Consolidated financial statements			Separate financial statements		
	December 31, 2011			December 31, 2011		
	<u>As previously reported</u>	<u>Reclassified</u>	<u>As currently reported</u>	<u>As previously reported</u>	<u>Reclassified</u>	<u>As currently reported</u>
Statement of financial position						
Trade and other account receives – Other companies	1,322,776	22,622	1,345,398	1,019,829	9,791	1,029,620
Trade and other account receives – Related parties	-	-	-	147	5,314	5,461
Account receivable - revenue department	13,092	(13,092)	-	7,170	(7,170)	-
Non-current assets held for sale	8,081	(8,081)	-	8,081	(8,081)	-
Other non-current assets	13,623	(9,148)	4,475	9,529	(7,553)	1,976
Restricted bank deposit	-	6,092	6,092	-	1,174	1,174
Properties, plant and equipment	1,688,819	7,698	1,696,517	97,827	7,698	105,525
Other non - current assets	12,336	(6,092)	6,244	1,710	(1,174)	536
Trade and other account payable-Other companies	458,122	14,424	472,546	382,014	2,433	384,447
Trade account payable and other payable-Related parties	-	9,389	9,389	1,579	9,124	10,703
Accrued income tax	-	1,171	1,171	-	-	-
Accrued interest	44,022	4,066	48,088	39,225	(204)	39,021
Accrued expenses	16,084	(16,084)	-	5,509	(5,509)	-
Other current liabilities	14,753	(12,966)	1,787	5,844	(5,844)	-

RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Financial Statements (Continued)

For the year ended December 31, 2012

	In Thousand Baht					
	Consolidated financial statements			Separate financial statements		
	January 1, 2011			January 1, 2011		
	<u>As previously reported</u>	<u>Reclassified</u>	<u>As currently reported</u>	<u>As previously reported</u>	<u>Reclassified</u>	<u>As currently reported</u>
Statement of financial position						
Trade and other account receives – Other companies	1,831,113	40,976	1,872,089	1,691,892	21,910	1,713,802
Trade account receives and other receives – Related parties	-	-	-	1,154	15	1,169
Account receivable - revenue department	19,866	(19,866)	-	19,866	(19,866)	-
Other current assets	25,556	(21,124)	4,432	3,422	(2,059)	1,363
Trade and other account payable - Other companies	384,517	35,157	419,674	311,373	19,492	330,865
Accrued expenses	20,390	(20,390)	-	16,797	(16,797)	-
Other current liabilities	39,034	(33,334)	5,700	2,695	(2,695)	-
Accrued income tax	-	5,252	5,252	-	-	-
Accrued interest	-	13,306	13,306	-	-	-