

**RICH ASIA STEEL PUBLIC COMPANY LIMITED**  
**AND ITS SUBSIDIARIES**

Financial Statements

For the Years Ended December 31, 2013

and Independent Auditor's Report

***BPR AUDIT AND ADVISORY CO., LTD.***

***Independent Auditors***

## **Independent Auditor's Report**

To the Shareholders and the Board of Directors of Rich Asia Steel Public Company Limited

I have audited the accompanying consolidated financial statements of Rich Asia Steel Public Company Limited and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013, the related consolidated 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 information. I have also audited the separate financial statements of Rich Asia Steel Public Company Limited, which comprise the statement of financial position as at December 31, 2013, the related statements of the comprehensive income, change in shareholder's equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **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 financial statements referred to above present fairly, in all material respects, the consolidated statement of financial position as at December 31, 2013 and their consolidated financial performance and their cash flows for the year then ended of Rich Asia Steel Public Company Limited and its subsidiaries and the statement of financial position as at December 31, 2013, its financial performance and its cash flows for the year then ended of Rich Asia Steel Public Company Limited in accordance with Thai Financial Reporting Standards.

**Emphasis of matter**

I draw attention to Note 3 to the financial statements regarding the change in accounting policy made due to adoption of Thai Accounting Standard 12 “Income Taxes” which is effective. My opinion is not qualified in respect of these matters.

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

BPR AUDIT AND ADVISORY CO., LTD.  
Bangkok  
February 28, 2014

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**STATEMENTS OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2013**

		In Baht					
		Consolidated financial statements			Separate financial statements		
		December 31, 2013	December 31, 2012	January 1, 2012	December 31, 2013	December 31, 2012	January 1, 2012
Notes			"Restated"	"Restated"		"Restated"	"Restated"
<b>A S S E T S</b>							
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	6	4,904,629	7,930,149	14,421,148	3,295,029	3,482,095	14,102,847
Temporary investment	7	-	213,642	258,960	-	213,642	258,960
Trade and other accounts receivable - other companies	8	1,647,371,501	1,888,769,979	1,345,398,320	1,360,022,095	1,523,201,059	1,029,620,333
Trade and other accounts receivable - related companies	5,9	-	-	-	92,170,957	2,351,734	5,460,745
Short - term loans to subsidiary company	5	-	-	-	-	-	4,180,000
Inventories	10	597,140,969	441,467,442	407,971,897	388,150,086	363,833,150	295,961,422
Advance payment for goods	11	132,734,642	167,854,980	539,381,086	95,835,951	161,575,230	521,127,158
Other current assets		8,266,919	6,022,301	4,474,477	689,744	1,045,902	1,975,677
<b>Total current assets</b>		<b>2,390,418,660</b>	<b>2,512,258,493</b>	<b>2,311,905,888</b>	<b>1,940,163,862</b>	<b>2,055,702,812</b>	<b>1,872,687,142</b>
<b>NON - CURRENT ASSETS</b>							
Restricted bank deposit	18,33	7,286,415	31,270,191	6,092,401	6,863	28,062,681	1,174,306
General Investment	12	-	-	-	-	-	-
Investment in securities available for sale	13	-	129,558,173	-	-	129,558,173	-
Investment in subsidiary companies	14	-	-	-	984,688,870	1,069,923,957	1,199,191,154
Investment property	15	17,946,363	26,748,000	124,013,612	10,689,897	11,610,205	108,401,544
Property, plant and equipment	16	1,503,799,875	1,566,019,565	1,696,517,629	86,082,519	93,611,397	105,524,929
Other account receivable - advance payment for goods		-	-	161,235,767	-	-	161,235,767
Retention receivable		35,075,065	14,139,378	11,784,298	-	-	-
Deferred tax assets	3,30	2,425,926	2,726,802	6,090,460	-	-	-
Other non - current assets		4,379,248	4,271,440	6,243,536	418,474	371,574	535,761
<b>Total non - current assets</b>		<b>1,570,912,892</b>	<b>1,774,733,549</b>	<b>2,011,977,703</b>	<b>1,081,886,623</b>	<b>1,333,137,987</b>	<b>1,576,063,461</b>
<b>TOTAL ASSETS</b>		<b>3,961,331,552</b>	<b>4,286,992,042</b>	<b>4,323,883,591</b>	<b>3,022,050,485</b>	<b>3,388,840,799</b>	<b>3,448,750,603</b>

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**STATEMENTS OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2013**

		In Baht					
		Consolidated financial statements			Separate financial statements		
		December 31,2013	December 31,2012	January 1,2012	December 31,2013	December 31,2012	January 1,2012
Notes			"Restated"	"Restated"		"Restated"	"Restated"
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>							
<b>CURRENT LIABILITIES</b>							
Loans that due for repayment	18	-	1,031,357,753	745,719,505	-	1,031,357,753	745,719,505
Bank overdrafts and short - term loans from financial institutions	19	749,514,484	103,768,841	217,541,410	734,529,387	79,855,751	213,819,224
Trade and other accounts payable - other companies	20	579,383,325	627,680,389	472,546,129	469,385,155	533,198,317	384,446,525
Trade and other accounts payable - related companies	5,21	12,438,208	13,371,796	9,388,691	17,416,367	13,939,617	10,702,752
Current portion							
- Liabilities under finance lease agreement	23	915,693	819,158	774,722	459,007	742,523	698,032
- Liabilities under debt restructuring agreement	24	44,200,000	248,666,609	19,664,781	44,200,000	248,666,609	19,664,781
Short - term loans from other person and other company	22	304,225,761	300,000,000	300,000,000	-	-	-
Short - term loans from related person and related company	5	5,000,000	5,000,000	-	53,863,508	48,465,508	-
Income tax payable		10,267,794	288,336	1,171,078	-	-	-
Accrued interest		175,374,554	274,492,237	48,087,506	627,404	182,472,338	39,021,507
Advance received for goods		16,635,500	9,411,221	40,678,697	7,141,487	9,411,221	82,733,408
Other current liabilities		1,510,929	6,586,368	1,787,481	5,031	-	-
<b>Total current liabilities</b>		<b>1,899,466,248</b>	<b>2,621,442,708</b>	<b>1,857,360,000</b>	<b>1,327,627,346</b>	<b>2,148,109,637</b>	<b>1,496,805,734</b>
<b>NON - CURRENT LIABILITIES</b>							
Long - term trade account payable	20	18,965,362	-	-	-	-	-
Liabilities under finance lease agreement	23	414,502	539,181	1,358,340	-	459,007	1,201,531
Liabilities under debt restructuring agreement	24	1,281,626,472	445,877,839	840,691,345	1,281,626,472	445,877,839	840,691,345
Employee benefit obligations	25	4,863,847	4,344,664	3,852,038	1,932,128	1,622,185	1,335,220
Deferred tax liabilities	3,30	175,458,024	220,402,365	247,423,281	-	-	1,270,173
Others non - current liabilities		80,706	80,706	80,706	-	-	-
<b>Total non - current liabilities</b>		<b>1,481,408,913</b>	<b>671,244,755</b>	<b>1,093,405,710</b>	<b>1,283,558,600</b>	<b>447,959,031</b>	<b>844,498,269</b>
<b>TOTAL LIABILITIES</b>		<b>3,380,875,161</b>	<b>3,292,687,463</b>	<b>2,950,765,710</b>	<b>2,611,185,946</b>	<b>2,596,068,668</b>	<b>2,341,304,003</b>

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2013**

		In Baht					
		Consolidated financial statements			Separate financial statements		
		December 31,2013	December 31,2012	January 1,2012	December 31,2013	December 31,2012	January 1,2012
Notes		"Restated"	"Restated"	"Restated"	"Restated"	"Restated"	"Restated"
<b>SHAREHOLDERS' EQUITY</b>							
Share capital - common shares - Authorized share capital	26						
- 1,500,000,000 shares, Baht 1.00 par value in 2011							
- 4,000,000,000 shares, Baht 1.00 par value in 2012 and 2013		4,000,000,000	4,000,000,000	1,500,000,000	4,000,000,000	4,000,000,000	1,500,000,000
Issued and fully paid - up share capital							
- 1,000,000,000 shares, Baht 1 par value in 2011							
- 1,002,913,226 shares, Baht 1 par value in 2012 and 2013		1,002,913,226	1,002,913,226	1,000,000,000	1,002,913,226	1,002,913,226	1,000,000,000
Premium on share capital	26	413,966,850	413,966,850	415,423,463	413,966,850	413,966,850	415,423,463
Deficit		(1,177,711,855)	(819,794,232)	(464,198,471)	(1,006,015,537)	(612,676,342)	(307,976,863)
Other component of equity		73,720,979	62,289,376	58,826,799	-	(11,431,603)	-
Total equity attributable to owners of the parent		312,889,200	659,375,220	1,010,051,791	410,864,539	792,772,131	1,107,446,600
Non - controlling interests		267,567,191	334,929,359	363,066,090	-	-	-
<b>Total shareholders' equity</b>		<b>580,456,391</b>	<b>994,304,579</b>	<b>1,373,117,881</b>	<b>410,864,539</b>	<b>792,772,131</b>	<b>1,107,446,600</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>3,961,331,552</b>	<b>4,286,992,042</b>	<b>4,323,883,591</b>	<b>3,022,050,485</b>	<b>3,388,840,799</b>	<b>3,448,750,603</b>

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2013**

		In Baht			
		Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
Notes			"Restated"		"Restated"
<b>REVENUES</b>					
	Revenue from sales	3,452,732,142	2,926,666,552	2,851,821,240	2,186,399,365
	Revenue from services	117,364,622	91,169,227	-	-
	Other incomes	27 38,938,892	44,807,900	35,641,190	75,823,920
	<b>Total Revenues</b>	<u>3,609,035,656</u>	<u>3,062,643,679</u>	<u>2,887,462,430</u>	<u>2,262,223,285</u>
<b>EXPENSES</b>					
	Cost of sales	3,487,417,795	3,001,383,550	2,844,941,618	2,196,296,763
	Cost of services	107,645,609	104,995,084	-	-
	Selling expenses	11,708,614	8,488,655	2,196,808	4,374,869
	Administrative expenses	94,927,602	71,136,298	67,889,384	45,194,253
	Loss from sale investment in securities available for sale	70,834,025	3,725,011	70,834,025	3,725,011
	Loss on impairment of investment in subsidiary	14 -	-	85,235,086	77,602,426
	Doubtful accounts (Reversal)	8,049,858	(26,273,314)	5,668,291	(26,381,191)
	Management benefit expenses	5 10,894,855	10,076,328	10,894,855	10,076,328
	Finance costs	274,482,620	337,970,698	193,141,558	257,304,478
	<b>Total Expenses</b>	<u>4,065,960,978</u>	<u>3,511,502,310</u>	<u>3,280,801,625</u>	<u>2,568,192,937</u>
	<b>LOSS BEFORE INCOME TAX</b>	<u>(456,925,322)</u>	<u>(448,858,631)</u>	<u>(393,339,195)</u>	<u>(305,969,652)</u>
	Income tax (expense) revenue	30 31,645,531	23,026,639	-	1,270,173
	<b>LOSS FOR THE YEAR</b>	<u>(425,279,791)</u>	<u>(425,831,992)</u>	<u>(393,339,195)</u>	<u>(304,699,479)</u>
	<b>Other comprehensive income (expense)</b>				
	- Change in fair value of securities available for sale	-	(11,431,603)	-	(11,431,603)
	- Transfer loss from change in fair value to loss from sale investment in securities available for sale	11,431,603	-	11,431,603	-
	<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<u>(413,848,188)</u>	<u>(437,263,595)</u>	<u>(381,907,592)</u>	<u>(316,131,082)</u>
	<b>Loss for the year attributable to :</b>				
	Equity holders of the parent	(357,917,623)	(355,595,761)	(393,339,195)	(304,699,479)
	Non - controlling interests	(67,362,168)	(70,236,231)	-	-
		<u>(425,279,791)</u>	<u>(425,831,992)</u>	<u>(393,339,195)</u>	<u>(304,699,479)</u>
	<b>Total comprehensive loss for the year attributable to :</b>				
	Equity holders of the parent	(346,486,020)	(367,027,364)	(381,907,592)	(316,131,082)
	Non - controlling interests	(67,362,168)	(70,236,231)	-	-
		<u>(413,848,188)</u>	<u>(437,263,595)</u>	<u>(381,907,592)</u>	<u>(316,131,082)</u>
	<b>BASIC LOSS PER SHARE</b>				
	Equity holders of the parent	31 (0.357)	(0.355)	(0.392)	(0.304)

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2013**

In Baht									
Consolidated financial statements									
Notes	Issued and fully paid - up share capital	Premium on share capital	Unappropriated (deficit)	Other component of equity			Total equity attributable to equity holders of the parent	Non - controlling interests	Total shareholders' equity
				Excess from change in equity interest	Change in fair value of securities available for sale	Total Other component of equity			
<b>Balance as at January 1, 2012 as previous reported</b>	1,000,000,000	415,423,463	(255,704,191)	30,419,757	-	30,419,757	1,190,139,029	424,311,672	1,614,450,701
Effect of change in accounting policy	3	-	(208,494,280)	28,407,042	-	28,407,042	(180,087,238)	(61,245,582)	(241,332,820)
<b>Balance as at January 1, 2012 as restated</b>	1,000,000,000	415,423,463	(464,198,471)	58,826,799	-	58,826,799	1,010,051,791	363,066,090	1,373,117,881
Adjust for change in equity interest in subsidiary	-	-	-	178,533	-	178,533	178,533	(178,533)	-
Excess from change in equity interest in subsidiary	14	-	-	14,715,647	-	14,715,647	14,715,647	(14,715,647)	-
Increase in share capital	26	2,913,226	(1,456,613)	-	-	-	1,456,613	-	1,456,613
Non - controlling interests increase	14	-	-	-	-	-	-	56,993,680	56,993,680
Total comprehensive loss for the year	-	-	(355,595,761)	-	(11,431,603)	(11,431,603)	(367,027,364)	(70,236,231)	(437,263,595)
<b>Balance as at December 31, 2012</b>	1,002,913,226	413,966,850	(819,794,232)	73,720,979	(11,431,603)	62,289,376	659,375,220	334,929,359	994,304,579
Total comprehensive loss for the year	-	-	(357,917,623)	-	11,431,603	11,431,603	(346,486,020)	(67,362,168)	(413,848,188)
<b>Balance as at December 31, 2013</b>	1,002,913,226	413,966,850	(1,177,711,855)	73,720,979	-	73,720,979	312,889,200	267,567,191	580,456,391

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, 2013**

		In Baht				
		Separate financial statements				
					Other component of equity	
		Issued and	Premium on	Unappropriated	Other comprehensive	Total
Notes		fully paid-up	share capital	(Deficit)	income (expense)	shareholders'
		share capital			Excess from change in	equity
					equity interest	
<b>Balance as at January 1, 2012 as previous reported</b>		1,000,000,000	415,423,463	(306,706,690)	-	1,108,716,773
Effect of change in accounting policy	3	-	-	(1,270,173)	-	(1,270,173)
<b>Balance as at January 1, 2012 as restated</b>		1,000,000,000	415,423,463	(307,976,863)	-	1,107,446,600
Increased share capital	26	2,913,226	(1,456,613)	-	-	1,456,613
Total comprehensive loss for the year		-	-	(304,699,479)	(11,431,603)	(316,131,082)
<b>Balance as at December 31, 2012</b>		1,002,913,226	413,966,850	(612,676,342)	(11,431,603)	792,772,131
Total comprehensive loss for the year		-	-	(393,339,195)	11,431,603	(381,907,592)
<b>Balance as at December 31, 2013</b>		1,002,913,226	413,966,850	(1,006,015,537)	-	410,864,539

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

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before income tax	(456,925,322)	(448,858,631)	(393,339,195)	(305,969,652)
<b>Adjustments for</b>				
Depreciation	128,989,216	135,520,526	10,535,838	17,175,858
Doubtful account (reversal)	8,049,858	(26,273,314)	5,668,291	(26,381,191)
Loss of non-refundable withholding tax	-	1,516,597	-	1,298,093
Loss from declining in value of investment in trading security	213,642	45,318	213,642	45,318
Loss from sale investment in securities available for sale	70,834,025	3,725,011	70,834,025	3,725,011
Gain on sale of investment in subsidiary company	-	-	-	(5,328,909)
Unrealized (gain) loss from exchange rate	6,755,798	(3,752,531)	5,661,327	(3,752,531)
(Gain) loss from sale fixed assets	1,573,967	(23,166,513)	(65,002)	(57,770,513)
Loss from written off fixed assets	431,572	4,895	-	4,895
Loss from impairment of investment in subsidiary company	-	-	85,235,086	77,602,426
Loss from declining in value of inventories (Reversal)	2,067,850	(871,874)	(3,815,112)	3,041,618
Revenue from written - off accrued expenses	(777,341)	-	-	-
Amortization of deferred finance charge in borrowing	-	5,834,998	-	5,834,998
Employee benefit	360,338	351,350	234,084	224,197
Interest income	(76,586)	(160,977)	-	(305,629)
Interest expenses of employee benefits	158,845	141,276	75,859	62,768
Interest expenses	272,359,350	332,338,691	191,939,449	252,034,036
Profit (loss) from operating activities before change in operating assets and liabilities	34,015,212	(23,605,178)	(26,821,708)	(38,459,207)
<b>Decrease (Increase) in operating assets</b>				
Trade and other accounts receivables - other companies	234,131,826	(636,643,480)	163,178,963	(524,666,066)
Trade and other accounts receivables - related companies	-	-	(89,819,223)	(2,192,863)
Inventories	(156,225,355)	(32,472,683)	(20,302,523)	(70,256,119)
Advance payment for goods	27,936,025	371,375,117	59,871,688	358,894,701
Other current assets	(374,226)	(1,547,823)	906,554	241,275
Other account receivable - advance payment for goods	-	4,926,993	-	4,926,993
Retention receivable	(20,935,687)	(2,355,080)	-	-
Other non - current assets	(107,808)	1,972,097	(46,900)	164,187
<b>Increase (Decrease) in operating liabilities</b>				
Trade and other accounts payables - other companies	(36,117,320)	259,778,796	(71,511,989)	195,853,337
Trade and other accounts payables - related companies	(933,588)	3,983,105	116,520	2,488,279
Advance receive for goods	7,224,279	(31,267,476)	(2,269,735)	(73,322,186)
Other current liabilities	(5,075,439)	7,161,718	5,031	-
<b>Cash received (paid) from operating activities</b>	83,537,919	(78,693,894)	13,306,678	(146,327,669)
Cash received from corporate income tax and withholding tax	1,107,255	-	-	-
Cash payment for corporate income tax and withholding tax	(3,568,873)	(2,359,092)	(550,397)	(609,593)
Cash received from interest income	626,915	158,770	-	311,099
<b>Net Cash Provided by (Used in) from Operating Activities</b>	81,703,216	(80,894,216)	12,756,281	(146,626,163)

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
(Increase) Decrease in restricted bank deposit	23,983,776	(25,177,790)	28,055,818	(26,888,374)
Cash received from sale of investment in subsidiary company	-	-	-	56,993,680
Cash received from sale of property, plant and equipment	225,836	6,114,947	93,673	40,085,190
Cash received from sale of investment property	5,675,495	43,161,264	-	43,161,264
Cash received from sale of investment in securities available for sale	70,155,752	43,271,581	70,155,752	43,271,581
Cash received from short-term loans to subsidiary company	-	-	-	49,608,591
Cash payment for short-term loans to subsidiary company	-	-	-	(45,428,591)
Cash payment for purchase of property, plant and equipment	(61,167,415)	(2,435,459)	(77,822)	(1,086,392)
<b>Net Cash Provided by (Used in) from Investing Activities</b>	<b>38,873,444</b>	<b>64,934,543</b>	<b>98,227,421</b>	<b>159,716,949</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Cash received from sale of investment in subsidiary company	-	56,993,680	-	-
Increase (Decrease) in bank overdrafts and short - term loans from financial institutions	41,954,831	62,229,612	50,882,822	42,038,710
Cash payment for liabilities under finance lease agreement	(28,145)	(774,722)	(742,523)	(698,032)
Cash payment for long-term loans from financial institutions	-	(42,819,343)	-	(42,819,343)
Cash payment for Debt under restructuring agreement	(133,890,957)	-	(133,890,957)	-
Cash received from loans from subsidiary company	-	-	197,345,000	87,597,907
Cash payment for loan from subsidiary company	-	-	(191,947,000)	(39,132,399)
Cash received from short - term loan from related person	5,000,000	5,000,000	-	-
Cash payment for short - term loan from related person	(5,000,000)	-	-	-
Cash received from short - term loan from other person	8,026,834	-	-	-
Cash payment for short - term loan from other person	(4,013,417)	-	-	-
Cash received from premium on share capital	-	1,456,613	-	1,456,613
Cash payment for interest expenses	(35,651,326)	(72,617,166)	(32,818,110)	(72,154,994)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(123,602,180)</b>	<b>9,468,674</b>	<b>(111,170,768)</b>	<b>(23,711,538)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,025,520)</b>	<b>(6,490,999)</b>	<b>(187,066)</b>	<b>(10,620,752)</b>
Cash and Cash Equivalents - Beginning of Year	7,930,149	14,421,148	3,482,095	14,102,847
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>4,904,629</b>	<b>7,930,149</b>	<b>3,295,029</b>	<b>3,482,095</b>
<b>Supplementary Disclosure of Cash Flow Information</b>				
Non-cash item				
1. Purchase fixed asset by credit	4,707,345	-	2,037,500	-
2. Sale fixed asset by credit	-	14,075,333	-	12,645,885
3. Offsetting between trade account receivable and trade account payable	4,334,756	98,900,381	-	43,349,013
4. Transferred debt under restructuring agreement to loans due for repayment	-	1,031,357,753	-	1,031,357,753
5. Transferred debt under restructuring agreement to bank overdrafts and short - term loans from financial institutions	564,980,226	-	564,980,226	-
6. Transferred loans due for repayment to debt under restructuring agreement	1,031,357,753	-	1,031,357,753	-
7. Transferred accrued interest to debt under restructuring agreement	286,919,841	-	286,919,841	-
8. Investment in securities available for sale decrease from unrealize loss	-	11,431,604	-	11,431,604
9. Short-term loans from financial institutions decrease from transfer investment property to settle	-	54,870,896	-	54,870,896

# **RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

## **Notes to the Financial Statements**

**For the year ended December 31, 2013**

These notes form an integral part of the financial statements.

The financial statements were authorized for issue by the directors on February 28, 2014.

### **1. GENERAL INFORMATION AND GOING CONCERN**

#### **1.1. 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-Chaitaley Road, Thakham, Bangkhuntien, Bangkok 10150.

The Company and its subsidiaries operate in the business of distribution of steel pipe, steel scrap and steel products and operate in foundation pile manufacturing, distribution, delivery and pile driving. (The Company and its subsidiaries are called as "the Group".)

#### **1.2. GOING CONCERN**

The Group and the Company made losses for the year ended December 31, 2013 of Baht 425.28 million and Baht 393.34 million (2012 : Baht 425.83 million and Baht 304.70 million, respectively). As at December 31, 2013, The Group and the Company had current liabilities exceeded current assets by Baht 109.18 million and Baht 92.41 million, including the group has unfinalized contentious case in the court as mention in notes to financial statement no. 36. These conditions indicate the existence of a material uncertainty that may cause significant doubt about the ability of the Group and the Company to continue as going concerns. The financial statements have been prepared on a going concern basis which do not include any adjustments that would be required (including any which may be required in relation to the valuation of the Group and the Company's or the subsidiaries' assets) should the Group and the Company be unable to generate sufficient cash flows in order to enable it to continue as going concerns. However, the managements are confident the planned capital raisings will continue to be successful.

### **2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

2.1 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, 2013****2.2 Basis of consolidation**

a) The consolidated financial statements as at December 31, 2013 and 2012, 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			
		2013	2012	2013	2012
Thai National Product Co., Ltd	Foundation pile manufacturing, delivery and pile driving	261,006	261,006	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	441,701	441,701	51.88	51.88

b) Subsidiaries are fully consolidated as from being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.

d) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

e) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

2.3 The separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

**3. APPLICATION OF NEW ACCOUNTING STANDARDS**

The Federation of Accounting Professions issued the accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance that are effective as follows:

a) Effective for the period beginning on or after January 1, 2013

Accounting standards:

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

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets

# **RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

## **Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

SIC 25

Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

Accounting Treatment Guidance for Transfers of Financial Assets

The Group and the Company made the change its significant accounting policies, as a result of the adoption of TAS 12 Income Taxes. The cumulative effect of the change in the accounting policies has the effect to the financial statements which has been separately presented in the statements of changes in shareholders' equity.

The amounts of adjustments affecting the statements of financial position and the statements of comprehensive income are summarized below:

	Thousand Baht					
	Consolidated financial statements			Separate financial statements		
	December	December	January	December	December	January
	31, 2013	31, 2012	1, 2012	31, 2013	31, 2012	1, 2012
<b>Statements of financial position</b>						
Increase in deferred tax assets	2,426	2,727	6,090	-	-	-
Increase in deferred tax liabilities	175,458	220,402	247,423	-	-	1,270
Decrease in non-controlling interests of the subsidiaries	(52,625)	(64,320)	(61,246)	-	-	-
Increase in excess from change in equity interest in subsidiaries	35,286	35,286	28,407	-	-	-
Decrease in unappropriated retained earnings	(155,693)	(188,641)	(208,494)	-	-	(1,270)

	Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Statements of comprehensive income</b>				
Decrease in income tax	(44,643)	(23,658)	-	(1,270)
Increase in profit attributable to non-controlling interest of the subsidiaries	11,695	4,027	-	-
Increase in profit attributable to equity holders of the parent	32,948	19,631	-	1,270
Increase in earnings per share	0.033	0.020	-	0.001

b) New accounting standards issued not yet effective

During the year 2013, the Federation of Accounting Professions has issued notifications, mandating the use of financial reporting standard, accounting standard interpretation and financial reporting standard interpretations as follows:

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013**

		<u>Effective date</u>
Accounting Standard:		
TAS 1 (Revised 2012)	Presentation of Financial Statements	January 1, 2014
TAS 7 (Revised 2012)	Statement of Cash Flows	January 1, 2014
TAS 12 (Revised 2012)	Income Taxes	January 1, 2014
TAS 17 (Revised 2012)	Leases	January 1, 2014
TAS 18 (Revised 2012)	Revenues	January 1, 2014
TAS 19 (Revised 2012)	Employee Benefits	January 1, 2014
TAS 21 (Revised 2012)	The Effect of changes in Foreign Exchange Rate	January 1, 2014
TAS 24 (Revised 2012)	Related Party Disclosures	January 1, 2014
TAS 28 (Revised 2012)	Investment in Associates	January 1, 2014
TAS 31 (Revised 2012)	Interests In Joint Ventures	January 1, 2014
TAS 34 (Revised 2012)	Interim Financial Reporting	January 1, 2014
TAS 36 (Revised 2012)	Impairment of Assets	January 1, 2014
TAS 38 (Revised 2012)	Intangible Assets	January 1, 2014
Financial Reporting Standard:		
TFRS 3 (Revised 2012)	Business Combinations	January 1, 2014
TFRS 4	Insurance Contracts	January 1, 2016
TFRS 5 (Revised 2012)	Non-Current Assets Held for Sale and Discontinued Operations	January 1, 2014
TRFS 8 (Revised 2012)	Operating Segments	January 1, 2014
Accounting Standard Interpretations:		
TSIC 15	Operating Leases-Incentives	January 1, 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	January 1, 2014
TSIC 29	Service Concession Arrangements: Disclosures	January 1, 2014
TSIC 32	Intangible Assets-Web Site Costs	January 1, 2014
Financial Reporting Standard Interpretations:		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	January 1, 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	January 1, 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	January 1, 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies	January 1, 2014
TFRIC 10	Interim Financial Reporting and Impairment	January 1, 2014
TFRIC 12	Service Concession Arrangements	January 1, 2014
TFRIC 13	Customer Loyalty Programs	January 1, 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	January 1, 2014
TFRIC 18	Transfers of Assets from Customers	January 1, 2014

The management of the Group and the Company has assessed the effect of the above financial reporting standard, accounting standard interpretation and financial reporting standard interpretations and believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied.

# **RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

## **Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

### **4. SIGNIFICANT ACCOUNTING POLICIES**

#### ***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 and the 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 are recognised directly in equity. Impairment losses 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.

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.



## **RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

### **Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

#### ***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 and the 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 moving 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 labor, 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 and the 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 20-38 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.

#### ***Property, plant and equipment and depreciation***

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 labor, 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.

## **RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

### **Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

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.

#### *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 and the 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	years
Machines	5, 10, 20	years
Furniture, fixtures and office equipment	3,5	years
Tools and equipment	5	years
Vehicles	5	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.

#### *Intangible assets*

Other intangible assets that are acquired by the Group and the 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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## **RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

### **Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

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 and the 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.

#### ***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 and the 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.

## **RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

### **Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

#### ***Long-term leases***

Leases of property or equipment which substantially transfer all the risks and rewards of ownership to the lessees are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. 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. The property or equipment acquired under finance leases is depreciated over the useful life of the asset.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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

#### ***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***

The Group and the Company have obligations in respect of the severance payments, they must make to employees upon retirement under labor law and other employee benefit plans. The Group and the Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plans is determined by a professionally qualified actuary based on actuarial techniques, using the projected unit credit method on a regular basis. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs are recognized on a straight-line basis over the average period until the amended benefits become vested.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income in the period in which they arise.

#### ***Revenues***

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

## **RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

### **Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

#### *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 pile driving is recognized when service is provided, according to the completed pile driving 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 and the 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.

#### *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 expense represents the sum of corporate income tax currently payable and deferred tax.

#### *Current tax*

Current 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.

## **RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

### **Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

#### *Deferred tax*

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The Group and the Company recognises deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Group and the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Group and the Company records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### *Earnings per share*

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company (excluding other comprehensive income) 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 financial reporting standards 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 and the Company 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.

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013***Property, plant and equipment / Investment property*

In determining depreciation of plant and equipment / investment property, the management is required to make estimates of the useful lives and residual values of the plant and equipment / investment property 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 / investment property 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.

*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.

*Deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

*Litigation*

The Group and the Company have 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 Entities</u>	<u>Nature of business</u>	<u>Nature of relationship</u>
Thai National Product Co., Ltd	Foundation pile manufacturing, delivery and pile driving	Subsidiary
Siam Ferro Industry Co., Ltd	Production and distribution of steel production and all steel pipe and engagement of steel	Subsidiary
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

# **RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

## **Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

<u>Name of Entities</u>	<u>Nature of business</u>	<u>Nature of relationship</u>
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
Mr. Kamon Wattanakanin		Management of subsidiary
Ms. Arporn Seneeprakornkrai		Shareholder

Pricing policies for each transactions are described as follows:

<u>Type of transactions</u>	<u>Pricing policies</u>
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	In 2012 : Interest rate 7.13% - 7.25% per annum
Interest expense	In 2013 Interest rate 6.75 - 7.00% and 12.00% per annum (2012 : 7.00% - 7.13% and 12.00 %)
Value from sales fixed assets	Price reference with appraisal value by independent appraisal
Value from purchase fixed assets	Mutual agreement
Value from factoring of account receivable	Contract Price

Significant revenues and expenses derived from transactions with related person and the related parties for the years ended December 31, 2013 and 2012 are summarized as follows:

	<u>In Thousand Baht</u>			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Transaction with related person and related companies</b>				
Purchase of goods	-	133,804	-	-
Management Fees	-	1,126	-	-
Others expense	-	-	-	3,084
Interest expense	725	-	-	-
Value from factoring of account receivable	15,000	-	-	-
<b>Transaction with subsidiary companies</b> (Eliminated from consolidated financial statements)				
Revenues from sales	-	-	13,261	3,292
Revenues from sales of raw materials	-	-	231,111	-
Interest income	-	-	-	223
Others income	-	-	613	94
Purchase of goods	-	-	23,426	7,906
Subcontract production cost	-	-	1,979	4,603
Others expense	-	-	534	64
Interest expense	-	-	3,360	959
Value from sales fixed assets	-	-	4	35,075
Value from purchase fixed assets	-	-	18	-



**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

Significant outstanding balances with its related companies as at December 31, 2013 and 2012 are summarized as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Trade accounts receivable</b>				
Thai National Product Co., Ltd	-	-	65	2,336
Siam Ferro Industry Co., Ltd	-	-	97,402	5,312
Total	-	-	97,467	7,648
Less : Allowance for doubtful debt	-	-	(5,296)	(5,296)
Net	-	-	92,171	2,352
<b>Trade and other accounts payable</b>				
Thai National Product Co., Ltd	-	-	4,312	952
G.T. Steel Works Co., Ltd.	11,747	11,947	11,747	11,947
Siam Ferro Industry Co.,Ltd.	-	-	1,290	215
A.T.Steel Co.,Ltd	-	743	-	743
Director	666	682	67	83
Shareholder	25	-	-	-
Total	12,438	13,372	17,416	13,940
<b>Advance received for goods</b>				
Siam Ferro Industry Co.,Ltd.	-	-	-	42,055
<b>Loan to</b>				
Thai National Product Co., Ltd				
(Interest rate 7.13 - 7.25%)				
Balance as at beginning	-	-	-	4,180
Increase	-	-	-	45,429
Decrease	-	-	-	(49,609)
Balance as at ending	-	-	-	-
<b>Loan from</b>				
Thai National Product Co., Ltd				
(Interest rate 6.75 - 7.13%)				
Balance as at beginning	-	-	48,466	-
Increase	-	-	197,345	87,598
Decrease	-	-	(191,947)	(39,132)
Balance as at ending	-	-	53,864	48,466
Shareholder				
(Interest rate 12.00%)				
Balance as at beginning	5,000	-	-	-
Increase	5,000	5,000	-	-
Decrease	(5,000)	-	-	-
Balance as at ending	5,000	5,000	-	-
Total loan from related parties	5,000	5,000	53,864	48,466

Short - term loan from shareholder amount of Baht 5.00 million, the subsidiary company has mortgaged investment property to collateral of loans.

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013**

For the years ended December 31, 2013 and 2012, Key Managements Personnel Compensation are as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Key Managements Personnel Compensation</b>				
Short-term Employee Benefits	10,670	9,860	10,670	9,860
Post-Employment Benefits	225	216	225	216
Total	<u>10,895</u>	<u>10,076</u>	<u>10,895</u>	<u>10,076</u>

Significant contract during the subsidiary company and related person and related company are summarized as follows:

In December 2013, Thai National Product Company Limited ("Subsidiary") entered into the contract to transfer the right over claim on a trade account receivable (the transfer condition can't claim back to transferor) to a director of subsidiary company (Transferee) in the transfer price of Million 15.00 Baht. The book value of receivable amount of Baht 2.81 million (principle amount Baht 15.30 million less allowance for doubtful amount Baht 12.49 million). The subsidiary agreed to compensate the transferee by provide an option to subscribe such number of new ordinary shares in subsidiary company before the subsidiary company offering security to the public with The Stock Exchange of Thailand. The option provides the right to subscribe such shares not more than the amount of fees for debt transferred. The exercise price equivalent the market price as at the exercise dated with determine by price to earnings ratio method of latest financial statement before transferee invest. If the transferee dose not exercises the right within the relevant period, the right will be expired.

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. CASH AND CASH EQUIVALENTS**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Cash	75	92	25	64
Saving account	43	1,202	8	57
Current account	4,787	6,636	3,262	3,361
Total	<u>4,905</u>	<u>7,930</u>	<u>3,295</u>	<u>3,482</u>

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**
**Notes to the Financial Statements (Continued)**
**For the year ended December 31, 2013**
**7. TEMPORARY INVESTMENT**

	In Thousand Baht			
	Consolidated and Separate financial statements			
	2013		2012	
	Cost value	Fair value	Cost value	Fair value
Equity security : Listed Company	647	337	647	214
Less Valuation adjustment	(647)	(337)	(433)	-
Total	-	-	214	214

**8. TRADE AND OTHER ACCOUNT RECEIVABLE - OTHER COMPANIES**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Trade account receivable</b>				
Post dated cheques	56,126	117,667	50,387	81,668
Account receivable-returned cheques	2,038	8,108	-	-
Trade accounts receivable	1,619,427	1,790,585	1,307,823	1,435,079
Total	1,677,591	1,916,360	1,358,210	1,516,747
Less : Allowance for doubtful debt	(55,094)	(52,713)	(9,905)	(9,905)
Net	1,622,497	1,863,647	1,348,305	1,506,842
<b>Other account receivable</b>				
Revenue department receivable	9,343	1,388	-	452
Other receivable	13,302	20,711	10,143	13,579
Others	2,229	3,024	1,574	2,328
Total	24,874	25,123	11,717	16,359
<b>Grand Total</b>	<b>1,647,371</b>	<b>1,888,770</b>	<b>1,360,022</b>	<b>1,523,201</b>

As at December 31, 2013 and 2012, the trade accounts and note receivable-other companies are classified by aging as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Within credit term	918,227	589,757	813,110	413,954
Over due 1 to 90 days	480,521	365,509	325,356	237,003
Over due 91 to 180 days	171,625	784,284	162,782	736,456
Over due 181 to 365 days	49,883	123,006	47,057	119,429
Over due over 1 year	57,335	53,804	9,905	9,905
	1,677,591	1,916,360	1,358,210	1,516,747
Less : Allowance for doubtful debt - trade account	(55,094)	(52,713)	(9,905)	(9,905)
Net	1,622,497	1,863,647	1,348,305	1,506,842

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013**

For the years ended December 31, 2013 and 2012, the movements of allowance for doubtful debt are as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Bad debts and doubtful debts expense (Reversal)	2,381	5,492	-	-
Write-off bad debt previously fully provided for (no effect to profit or loss for the year)	-	(87)	-	-

As at December 31, 2013, the consolidated financial statements, the Group factored some post dated cheques in the amount of Baht 27.00 million (December 31, 2012 : Baht 27.68 million), the separate financial statements in amount of Baht 27.00 million (December 31, 2012 : Baht 27.00 million) to discount with the financial institution according to note 19. The Group and the Company still has to take responsibility in the notes receivable if the financial institution cannot collect debt repayment from such notes receivable.

As at December 31, 2013, the consolidated financial statements, a part of trade accounts receivable in the amount of Baht 19.27 million (December 31, 2012 : Baht 23.23 million) had be transferred the right of collection to one financial institution according to note No 19. 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.

**9. TRADE AND OTHER ACCOUNT RECEIVABLE – RELATED COMPANIES**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Trade account receivable	-	-	92,143	2,297
Other receivable	-	-	5,324	5,351
Total	-	-	97,467	7,648
Less : Allowance for doubtful debt-other account receivable	-	-	(5,296)	(5,296)
Net	-	-	92,171	2,352
Bad debts and doubtful debts expense for the year	-	-	-	5,296

As at December 31, 2013 and 2012, the trade accounts receivable - related companies are classified by aging as follows:

	In Thousand Baht			
	Consolidated		The Company only	
	2013	2012	2013	2012
Within credit term	-	-	24,399	2,239
Over due 1 to 90 days	-	-	46,010	58
Over due 91 to 180 days	-	-	21,734	-
Total	-	-	92,143	2,297

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

**10. INVENTORIES**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Finished goods	437,885	320,817	327,701	256,498
Work in process	268	415	-	-
Raw materials	133,750	119,791	61,807	109,879
Goods in transit	28,735	-	-	-
Supplies	11,057	14,446	1,288	4,116
Total	611,695	455,469	390,796	370,493
Less Allowance for declining in value of inventories	(14,554)	(14,002)	(2,646)	(6,660)
Net	597,141	441,467	388,150	363,833

The cost of inventories which is recognised as an expense and included in cost of goods sold for the year.

- Cost of goods sold	3,485,350	3,002,255	2,848,757	2,193,255
- Loss from Allowance for declining in value of inventories (Reversal)	552	(1,022)	(4,014)	2,385
- Loss from Allowance for declining in value of advance payment for goods	1,516	151	199	657
Total	3,487,418	3,001,384	2,844,942	2,196,297

**11. ADVANCE PAYMENT FOR GOODS**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Advance payment for goods	140,797	168,733	102,581	162,453
Less : Allowance for declining in value of inventories	(2,394)	(878)	(1,077)	(878)
Allowance for doubtful debt	(5,668)	-	(5,668)	-
Net	132,735	167,855	95,836	161,575
Loss from Allowance for declining in value of advance payment for goods for the year	1,516	151	199	657
Doubtful debt expense for the year	5,668	-	5,668	-

# **RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

## **Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

### **12. GENERAL INVESTMENT**

	Consolidated Financial Statements					
	Percentage of direct and indirect Holding (Percent)		In Thousand Baht			
			Paid-up capital		Investment value Cost method	
	2013	2012	2013	2012	2013	2012
• 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					-	-

### **13. AVAILABLE FOR SALE INVESTMENT**

	In Thousand Baht			
	Consolidated and Separate financial statements			
	2013		2012	
	Cost value	Fair value	Cost value	Fair value
Equity security : Listed Company	-	-	140,990	129,558
Less Valuation of adjustment	-	-	(11,432)	-
Total	-	-	129,558	129,558

Movement of available for sale investment for the year ended December 31, 2013 and 2012 are as follows :

	In Thousand Baht	
	Consolidated and Separate financial statements	
	2013	2012
Book value as at beginning	129,558	-
Increase during year	-	187,986
Decrease during year	(129,558)	(46,996)
Allowance for revaluation	-	(11,432)
Book value as at ending	-	129,558

Available for sale investment is derived from debt settle from the Company paid an advance for goods and the debtor did not deliver the goods to the Company. Such debtor 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. 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 187.99 million to be settled all debt repayment, the net book value of an advance

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013**

payment amount Baht 156.31 million and has reversed allowance for doubtful account in amount of Baht 31.68 million.

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 according to note No. 24.1. As at December 31, 2013, the Company sold the whole amount of available for sale security to settle the debt with according the condition of debt restructuring agreement.

**14. INVESTMENT IN SUBSIDIARIES**

	Separate financial statements					
	Percentage of direct and indirect Holding (Percent)		In Thousand Baht			
			Paid-up capital		Investment value Cost method	
	2013	2012	2013	2012	2013	2012
<b>SUBSIDIARIES</b>						
• Thai National Product Co., Ltd	100.00	100.00	261,006	261,006	639,478	639,478
• Siam Ferro Industry Co., Ltd	51.88	51.88	441,701	441,701	536,062	536,062
Less : Allowance for impairment loss of investment in subsidiary					(190,851)	(105,616)
Net					984,689	1,069,924
Impairment loss for the year					85,235	77,602

In the quarter 1/2012, the Company has sold the investment in Siam Ferro Industry Company Limited to non related person in amount of 712,421 shares, in the price Baht 80 per share totaling Baht 56.99 million. Therefore, the shareholding ratio decreases from 56.88% to 51.88% which in accordance to the minute of the board of directors meeting no. 8/2011 on December 2, 2011, which has detail 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
	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)

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013**

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 company and presents in shareholders' equity since the change of interest of the Company in subsidiary company 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.

**15. INVESTMENT PROPERTY - NET**

	In Thousand Baht		
	Consolidated financial statements		
	Land	Buildings	Total
<u>Cost</u>			
Balance as at January 1, 2012	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
Acquisitions	-	-	-
Disposal/write - off	-	(12,561)	(12,561)
Balance as at December 31, 2013	1,878	29,007	30,885
<u>Accumulated depreciation</u>			
Balance as at January 1, 2012	-	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
Depreciation for the year	-	1,395	1,395
Disposal/write - off	-	(5,154)	(5,154)
Balance as at December 31, 2013	-	12,939	12,939
<u>Allowance for impairment</u>			
Balance as at January 1, 2012	15,673	-	15,673
Impairment for the year	-	-	-
Disposal/write - off	(15,673)	-	(15,673)
Balance as at December 31, 2012	-	-	-
Impairment for the year	-	-	-
Disposal/write - off	-	-	-
Balance as at December 31, 2013	-	-	-
<u>Net book value</u>			
December 31, 2012	1,878	24,870	26,748
December 31, 2013	1,878	16,068	17,946



**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**
**Notes to the Financial Statements (Continued)**
**For the year ended December 31, 2013**

	In Thousand Baht		
	Consolidated financial statements		
	Land	Buildings	Total
<u>Depreciations included in profit or loss for the years</u>			
2012			4,799
2013			1,395

	In Thousand Baht		
	Separate financial statements		
	Land	Buildings	Total
<u>Cost</u>			
Balance as at January 1, 2012	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
Acquisitions	-	-	-
Disposal/write - off	-	-	-
Balance as at December 31, 2013	1,878	18,406	20,284
<u>Accumulated depreciation</u>			
Balance as at January 1, 2012	-	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
Depreciation for the year	-	920	920
Disposal/write - off	-	-	-
Balance as at December 31, 2013	-	9,594	9,594
<u>Allowance for impairment</u>			
Balance as at January 1, 2012	15,673	-	15,673
Impairment for the year	-	-	-
Disposal/write - off	(15,673)	-	(15,673)
Balance as at December 31, 2012	-	-	-
Impairment for the year	-	-	-
Disposal/write - off	-	-	-
Balance as at December 31, 2013	-	-	-
<u>Net book value</u>			
December 31, 2012	1,878	9,732	11,610
December 31, 2013	1,878	8,812	10,690

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013**

	In Thousand Baht		
	Separate financial statements		
	Land	Buildings	Total
<u>Depreciations included in profit or loss for the years</u>			
2012			4,325
2013			920

As at December 31, 2013, the consolidated financial statements, the Group's investment property in the book value of Baht 6.80 million is pledged for collateral for short term loan from related person (December 31, 2012 : Baht 15.14 million is collateral against the merchandise orders.)

As at December 31, 2013, the separate financial statements, the Company's investment property in the book value of Baht 10.69 million (December 31, 2012 : Baht 11.61 million) is collateral for loans granted by financial institutions as in note No. 17.

As at December 31, 2013 and 2012, the consolidated and separate financial statements, 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 24.10 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, 2013**

**16. PROPERTY, PLANT AND EQUIPMENT**

	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, 2012	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
Acquisitions /Transfers in	-	-	-	-	588	2,037	1,253	1,020	55	-	61,317	-	66,270
Disposal/Transfer out	-	-	-	-	-	-	(78)	(735)	-	-	(828)	-	(1,641)
Balance as at December 31, 2013	641,083	1,052,744	5,411	-	1,652,306	11,456	178,148	32,826	278,085	81,600	68,560	438	4,002,657
<u>Accumulated depreciation</u>													
Balance as at January 1, 2012	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
Acquisitions /Transfers in	495	33,970	270	-	83,820	292	2,742	1,079	3,500	1,426	-	-	127,594
Disposal/Transfer out	-	-	-	-	-	-	(38)	(708)	-	-	-	-	(746)
Balance as at December 31, 2013	48,359	643,624	1,589	-	1,242,039	9,562	173,052	30,751	271,161	78,720	-	-	2,498,857
<u>Net book value</u>													
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
December 31, 2013	592,724	409,120	3,822	-	410,267	1,894	5,096	2,075	6,924	2,880	68,560	438	1,503,800
<u>Depreciations included in profit or loss for the years</u>													
2012													130,722
2013													127,594

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**
**Notes to the Financial Statements (Continued)**
**For the year ended December 31, 2013**

	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>Cost</u>										
Balance as at January 1, 2012	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
Acquisitions /Transfers in	-	-	-	-	-	2,038	77	-	-	2,115
Disposal/Transfer out	-	-	-	-	-	-	(28)	(80)	-	(108)
Balance as at December 31, 2013	41,538	13,000	5,411	-	79,776	11,457	21,007	14,450	438	187,077
<u>Accumulated depreciation</u>										
Balance as at January 1, 2012	-	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
Acquisitions /Transfers in	-	650	270	-	6,742	293	875	786	-	9,616
Disposal/Transfer out	-	-	-	-	-	-	(28)	(52)	-	(80)
Balance as at December 31, 2013	-	3,824	1,589	-	52,276	9,562	20,067	13,677	-	100,995
<u>Net book value</u>										
December 31, 2012	41,538	9,826	4,092	-	34,242	150	1,738	1,587	438	93,611
December 31, 2013	41,538	9,176	3,822	-	27,500	1,895	940	773	438	86,082
<u>Depreciations included in profit or loss for the years</u>										
2012										12,850
2013										9,616

## **RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

### **Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

#### Consolidated Financial Statements

As at December 31, 2013 the Group mortgaged land and building in book value of Baht 445.77 million (December 31, 2012 : Baht 452.45 million) and some machine in book value of Baht 39.04 million (December 31, 2012 : Baht 56.03 million) is collateral for loans from the financial institution with note No.17.

As at December 31, 2013 the Group mortgaged land and building in the book value of Baht 564.95 million (December 31, 2012 : Baht 594.35 million) is collateral for loans from other person and company as in note No.22.

As of December 31, 2013 the Group had assets with the depreciation fully calculated but still operate which had a cost value of Baht 349.04 million and net book value was Baht 4,530.00 (December 31, 2012 : cost value of Baht 334.98 million and net book value was Baht 4,335.00)

#### Separate Financial Statements

As of December 31, 2013 the Company mortgaged land and building in book value of Baht 54.54 million (December 31, 2012 : Baht 55.45 million) and some machine in book value of Baht 18.50 million (December 31, 2012 : Baht 23.19 million) is collateral for loans from the financial institution with note No.17.

As of December 31, 2013 the Company had assets with the depreciation fully calculated but still operate which had a cost value of Baht 50.84 million and net book value was Baht 789.00 (December 31, 2012 : cost value of Baht 36.49 million and net book value was Baht 649.00)

### **17. 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, 2013, in amount of Baht 2,092.50 million (December 31, 2012 : Baht 2,160.84 million) 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 plus building and some part machine of the Company, some part land plus building and machine of subsidiary company, land plus building of a director and related companies, notes receivable, a part of deposit at bank and guaranteed by 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, 2013****18. LOANS THAT DUE FOR REPAYMENT**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Trust receipts	462,127	462,127	462,127	462,127
Promissory note	195,499	195,499	195,499	195,499
Long-term loans from financial institutions	373,732	373,732	373,732	373,732
Less Reclassification to debt under restructuring agreement	(1,031,358)	-	(1,031,358)	-
Net	-	1,031,358	-	1,031,358
Total	-	1,031,358	-	1,031,358

As at December 31, 2012, The loan which due to payment amount of Baht 1,031.36 million was arisen from trust receipt, promissory notes, and long-term loan which the Company had entered into debt restructuring agreement dated August 16, 2011, However, 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, in third quarter of 2013, the Company has signed the new agreement of debt restructuring dated September 27, 2013 with financial institution, so the Company has reclassified the whole amount of debt which due to repayment to the debt under restructuring agreement as stated in note No 24.2 (As at December 31, 2012, the company has the restricted bank deposit in amount of Baht 28.06 million with such financial institute.)

**19. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Debt restructuring agreement	691,530	-	691,530	-
Bank overdrafts	-	9,976	-	9,976
Bill of exchange and discount post date cheque	26,999	27,679	26,999	26,996
Account payable factoring	14,985	23,230	-	-
Trust receipts	-	26,884	-	26,884
Promissory note	16,000	16,000	16,000	16,000
Net	749,514	103,769	734,529	79,856

As at December 31, 2013, short term loan from financial institutions are carried by interest rates of 6.00% - 15.00 % per annum (December 31, 2012 : 6.00% - 7.88%) and have collateral according to note No. 17.

As at December 31, 2013, the debt under restructuring agreement derive from the new restructuring agreement according to note No. 24.1. The debt outstanding has book value amount of Baht 691.53 million with has significant of payment detail as follows :

a) The Company will repay the creditor in amount of Baht 363.00 million by gradually payment and will be completed repayment the whole amount within January, 2014.

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013**

b) The Company will additional repay the creditor approximately in amount Baht 17.60 million, by calculated from principal amount of Baht 363.00 million which to be reduced by a repayment under clause a) with MLR interest rate. The repayment will be payment in October - December, 2013 equivalent at 2 % which calculated from the amount of Baht 363.00 million with repayment as end of monthly and the rest of outstanding will be completed repayment in January, 2014.

c) When the Company completely repayment to the creditor according to the debt restructuring agreement, the outstanding debts will be released to the Company.

However, after the financial report dated, the Company can not completed repayment the whole amount of debt within January 2014. Currently, the Company is under negotiation of new repayment term with the finance institute. Such debt under restructuring agreement constitutes collateral according to note No.17.

**20. TRADE AND OTHER ACCOUNTS PAYABLE – OTHER COMPANIES**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<b>Current</b>				
Trade account payables	555,271	595,350	461,199	512,447
Accrued expenses	12,589	12,773	4,717	5,415
Other account payable	11,349	19,403	3,439	15,306
Others	174	155	30	30
<b>Total</b>	<u>579,383</u>	<u>627,681</u>	<u>469,385</u>	<u>533,198</u>
<b>Non-current</b>				
Trade account payables	18,965	-	-	-
<b>Total</b>	<u>18,965</u>	<u>-</u>	<u>-</u>	<u>-</u>

The subsidiary company entered into compromise agreement with a trade account payable according to note No. 36 to extend the debt repayment schedule. The subsidiary has book value of trade payable amount of Baht 40.02 million and the amount of repayment totaling of Baht 31.51 million, the remaining amount of Baht 8.51 million will be released to the subsidiary when the subsidiary completely repayment according in the term of compromise agreement. The schedule of debt repayment as followings:

<u>Installment periods</u>	<u>Total Repayment per installment (Million Baht)</u>
September 2013	4.01
October 2013	10.00
Nov.13 - Apr. 14	0.30
May. 14 - Oct.14	0.60
Nov.14 - Apr. 15	0.80
May.15 - Sep. 15	1.20
Oct.15	1.25

As at December 31, 2013 the subsidiary company reclassified outstanding balance of trade account payable of Baht 18.96 million to present as non-current liabilities in the consolidated financial statement.

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013****21. TRADE AND OTHER ACCOUNTS PAYABLE – RELATED PARTIES**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Trade Account Payable	8,647	8,647	9,350	8,647
Accrued expenses	599	1,805	4,312	952
Other Payable	3,192	2,920	3,754	4,141
Others	-	-	-	200
<b>Grand Total</b>	<b>12,438</b>	<b>13,372</b>	<b>17,416</b>	<b>13,940</b>

**22. SHORT-TERM LOANS FROM OTHER PERSON AND OTHER COMPANY**

As at December 31, 2013 and December 31, 2012, the consolidated financial statement, short term loans amount of Baht 300 million is short - term loans from other company, carried interest rate of 15% per annum, while the subsidiary company mortgaged land and building is collateral of loans. 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 15.00 % per annum, The final maturity date is October 22, 2012 which the subsidiary has not extended the maturity date. Currently, the lender has prosecuted claiming for debt repayment and interest expense as mention in notes to financial statement No. 36.

As at December 31, 2013, the consolidated financial statement, short term loans amount of Baht 4.23 million has loan contract and will be completely repay within March 15, 2014, no interest charge.

**23. LIABILITIES UNDER FINANCIAL LEASE AGREEMENT**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Liabilities under financial lease agreement	1,510	1,475	472	1,269
<u>Less</u> Deferred Interest	(179)	(117)	(13)	(67)
Net	1,331	1,358	459	1,202
<u>Less</u> Current portion	(916)	(819)	(459)	(743)
Net	415	539	-	459
Present value of minimum lease payment				
Within one year	916	819	459	743
1-5 years	415	539	-	459
Total	1,331	1,358	459	1,202



**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

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

In Thousand Baht						
Consolidated financial statements						
2013			2012			
	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	1,041	(125)	916	900	(81)	819
After one year but within five years	469	(54)	415	575	(36)	539
Total	1,510	(179)	1,331	1,475	(117)	1,358

  

In Thousand Baht						
Separate financial statements						
2013			2012			
	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	472	(13)	459	797	(54)	743
After one year but within five years	-	-	-	472	(13)	459
Total	472	(13)	459	1,269	(67)	1,202

As at December 31, 2013, the consolidated financial statements, the Group comprises asset under the financial leased agreement in the type of vehicle, the net book value of Baht 1.65 million (December 31, 2012 : Baht 1.43 million) and the separate financial statements, there is net book value of Baht 0.57 million (December 31, 2012 : Baht 1.27 million). The Group and the Company will receive ownership in such asset when completely repays debt to creditors in accordance with the financial leased agreement.

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

**24. DEBT UNDER RESTRUCTURING AGREEMENT**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
First financial institution :				
Principal amount	-	638,030	-	638,030
Accrued interest expenses	-	34,443	-	34,443
Accrued interest pending for waiving	-	22,072	-	22,072
	-	694,545	-	694,545
Second financial institution :				
Principal amount	1,031,358	-	1,031,358	-
Accrued interest expenses	273,633	-	273,633	-
Accrued interest pending for waiving	20,836	-	20,836	-
	1,325,827	-	1,325,827	-
Total	1,325,827	694,545	1,325,827	694,545
Less Current portion	(44,200)	(248,667)	(44,200)	(248,667)
Net	1,281,627	445,878	1,281,627	445,878

For the year ended December 31, 2013 and 2012, the movement of long-term loans are as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Balance as at January 1	694,545	864,108	694,545	864,108
Transfer to loan that due to repayment	-	(843,272)	-	(843,272)
Transfer to bank over drafts and short term loan	(564,980)	-	(564,980)	-
Transfer to accrued interest	-	(20,836)	-	(20,836)
Transfer from loan that due to repayment	1,031,358	792,646	1,031,358	792,646
Transfer from accrued interest	286,920	-	286,920	-
Realized pending accrued interest to reduce interest expense	(11,577)	(411)	(11,577)	(411)
Suspend accrued interest for the period	23,452	-	23,452	-
Repayment	(133,891)	(97,690)	(133,891)	(97,690)
Balance as at December 31	1,325,827	694,545	1,325,827	694,545

24.1 First financial institution : The consolidated and separate financial statement, debt under restructuring agreement derived from the debt restructuring contract no. 5 dated June 27, 2012, and revision issued no. 4 dated February 26, 2013. 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, as at September 30, 2013 remaining balance amount of Baht 257.40 million

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013**

(December 31, 2012 : 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 July 2013 onward and will completely repayment in December 2015. The principle debt bear interest rate at MLR per annum, the principle is repayable on a monthly basis commencing on March 2013 which has term of repayment as followings :

<u>Installment</u>	<u>Principal Repayment per Installment</u>
	(Million Baht)
March 2013	6.0
April 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, as at September 30, 2013, remaining balance amount of Baht 192.39 million (December 31, 2012 : 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 July 2013 onward and will completely repayment in December 2014. The principle debt bear interest rate at MLR per annum, the principle is repayable on a monthly basis commencing on March 2013 which has term of repayment as followings :

<u>Installment</u>	<u>Principal Repayment per Installment</u>
	(Million Baht)
March 2013	3.0
April 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, as at September 30, 2013, remaining balance amount of Baht 143.88 million (December 31, 2012 : 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 July 2013 onward and will completely repayment in December 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 June 2014 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 - February 2013	grace period
March 2013 - March 2014	30.0
June 2014	Outstanding

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013**

As at September 30, 2013, the consolidated and separate financial statements, the debt under restructuring agreement remaining balance amount of Baht 593.67 million. The Company did not repay the debt in accordance with the term payment of restructuring agreement. The Company has reclassified such debt to loan that due to repayment. However, in the fourth quarter of 2013, the Company and creditor together agree for new solution to restructure and the repayment of debt which the company has signed new debt restructuring agreement dated on October 31, 2013, the outstanding debt has book value amount Baht 716.67 million (including principle and accrued interest). The due of debt will be completely repayment within January 2013, so the Company has reclassify such debt to present in the caption of bank overdraft and short term loan from finance institute according to noted No. 19.

- 24.2. Second financial institution : The consolidated and separate financial statement, debt under restructuring agreement derived from the debt restructuring contract dated on September 27, 2013. The contract has classified the debt to 4 tranches which as following:

First tranche : The credit line of Baht 400 million, as at December 31, 2013, remaining balance amount of Baht 484.72 million comprise of principal amount of Baht 373.73 million and accrued interest amount of Baht 110.99 million. The term repayment is monthly installment with totaling 156 installment (13 years) or within August 31, 2026, commencing on September 30, 2013 with interest rate at SPRL+ 1.00% per annum and will be settle all of accrued interest payable within September 30, 2015.

Second tranche : The credit line of Baht 275 million, as at December 31, 2013, remaining balance amount of Baht 368.75 million comprise of principal amount of Baht 274.04 million and accrued interest amount of Baht 94.71 million. The term repayment is monthly installment with totaling 156 installment (13 years) or within August 31, 2026, commencing on September 30, 2013 with interest rate at SPR+ 1.25% per annum and will be settle all of accrued interest payable within September 30, 2015.

Third tranche : The credit line of Baht 250 million, as at December 31, 2013, remaining balance amount of Baht 213.30 million comprise of principal amount of Baht 188.09 million and accrued interest amount of Baht 25.21 million. The term repayment is monthly installment with totaling 156 installment (13 years) or within August 31, 2026, commencing on September 30, 2013 with interest rate at SPR+ 1.25% per annum and will be settle all of accrued interest payable within September 30, 2015.

Fourth tranche : The credit line of Baht 200 million, as at December 31, 2013, remaining balance amount of Baht 259.05 million comprise of principal amount of Baht 195.50 million and accrued interest amount of Baht 63.55 million. The term repayment is monthly installment with totaling 156 installment (13 years) or within August 31, 2026, commencing on September 30, 2013 with interest rate at SPR+ 1.00% per annum and will be settle all of accrued interest payable within September 30, 2015

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013**

Table of principal and interest repayment per installment (Million Baht)

Installment periods	First tranche	Second tranche	Third tranche	Fourth tranche
Periods 1 - 6 (Sep.13 - Feb.14)	0.978	0.717	0.493	0.512
Periods 7 - 12 (Mar.14 - Aug.14)	1.377	1.010	0.693	0.720
Periods 13 - 24 (Sep.14 - Aug.15)	1.450	1.063	0.729	0.758
Periods 25 - 36 (Sep.15 - Aug.16)	1.631	1.196	0.820	0.853
Periods 37 - 48 (Sep.16 - Aug.17)	1.993	1.461	1.003	1.043
Periods 49 - 60 (Sep.17 - Aug.18)	2.174	1.594	1.095	1.137
Periods 61 - 72 (Sep.18 - Aug.19)	2.899	2.126	1.459	1.516
Periods 73 - 84 (Sep.19 - Aug.20)	3.080	2.259	1.550	1.611
Periods 85 - 96 (Sep.20 - Aug.21)	3.624	2.657	1.823	1.896
Periods 97 - 108 (Sep.21 - Aug.22)	5.111	3.602	1.823	2.464
Periods 109 -120 (Sep.22 - Aug.23)	5.503	4.020	1.823	2.654
Periods 121 - 132 (Sep.23 - Aug.24)	5.173	3.802	2.371	2.654
Periods 133 - 155 (Sep.24 - Jul.26)	5.635	4.151	2.371	2.843
Periods 156 (Aug.26)	Outstanding	Outstanding	Outstanding	Outstanding

In additional, the debt under restructuring agreement has defined the Company additional repayment not less than Million 450.00 Baht within September 30, 2015. The amount repayment will be settle accrued interest and principal amount for all tranche of debt by allocated to the First tranche amount of Million 163.10 Baht, Second tranche amount of Million 119.6 Baht, Third tranche amount of Million 82.00 Baht and Fourth tranche amount of Million 85.30 Baht.

Such debt under restructuring agreement constitutes collateral according to note No.17.

**25. EMPLOYEE BENEFIT OBLIGATIONS**

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

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Defined benefit obligations at January 1	4,345	3,852	1,622	1,335
Current service costs	360	352	234	225
Interest on obligation	159	141	76	63
Defined benefit obligations at December 31	4,864	4,345	1,932	1,623

# **RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

## **Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

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

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Current service costs	360	352	234	225
Interest on obligation	159	141	76	63
Total expenses in profit or loss	<u>519</u>	<u>493</u>	<u>310</u>	<u>288</u>
Line items under which such expenses are include in profit or loss				
Cost of goods sold and services	42	44	7	7
Selling expenses	29	30	1	1
Administrative expenses	64	62	1	1
Management benefits expense	225	216	225	216
Total	<u>360</u>	<u>352</u>	<u>234</u>	<u>225</u>

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	(%)	(%)	(%)	(%)
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

## **26. SHARE CAPITAL**

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

	Consolidated and Separate financial statements					
	2013			2012		
	Par Value	Number of Share	Amount	Book value	Number of Share	Amount
	<u>Baht</u>	<u>Thousand shares</u>	<u>Thousand Baht</u>	<u>Baht</u>	<u>Thousand shares</u>	<u>Thousand Baht</u>
Authorized share capital						
Ordinary shares at beginning of the period	1.00	4,000,000	4,000,000	1.00	1,500,000	1,500,000
Add Increase ordinary shares	1.00	-	-	1.00	3,000,000	3,000,000
Less Decrease ordinary shares	1.00	-	-	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>4,000,000</u>	<u>4,000,000</u>

# RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## Notes to the Financial Statements (Continued)

For the year ended December 31, 2013

	Consolidated and Separate financial statements					
	2013			2012		
	Par Value	Number of Share	Amount	Book value	Number of Share	Amount
	<u>Baht</u>	<u>Thousand shares</u>	<u>Thousand Baht</u>	<u>Baht</u>	<u>Thousand shares</u>	<u>Thousand Baht</u>
<b>Issue and paid-up share capital</b>						
Ordinary shares at beginning of the period	1.00	1,002,913	1,002,913	1.00	1,000,000	1,000,000
<u>Add</u> Increase ordinary shares	<u>1.00</u>	<u>-</u>	<u>-</u>	<u>1.00</u>	<u>2,913</u>	<u>2,913</u>
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>1,002,913</u>	<u>1,002,913</u>

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 June 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.

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013****27. OTHER INCOMES**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Gain on sale of fixed assets	-	23,167	65	57,771
Gain on impairment of investment in subsidiary company	-	-	-	5,329
Building and machinery rental income	9,190	1,727	9,044	1,400
Revenue from labor contractors	5,259	-	5,259	-
Utilities service income	19,929	6,002	19,762	5,781
Gain on exchange rate	379	3,753	155	3,753
Other	4,182	10,159	1,356	1,790
Total	38,939	44,808	35,641	75,824

**28. EXPENSES BY NATURE**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Changing within finished goods and work in process	(116,921)	(158,976)	(71,203)	(171,966)
Raw material used	1,906,142	1,100,873	1,427,138	620,540
Value of purchase inventory for sale	1,519,974	1,887,266	1,471,615	1,711,500
Loss from declining in value of inventories (Reversal)	2,068	(872)	(3,815)	3,042
Employee expenses	86,996	78,933	32,377	31,532
Depreciation	128,989	135,520	10,536	17,175
Transportation and pile driving expenses	65,412	53,077	-	-
Loss from impairment of investment in subsidiary companies	-	-	85,235	77,602
Doubtful accounts (Reversal)	8,050	(26,273)	5,668	(26,381)
Unrealized loss from exchange rate	6,756	-	5,661	-
(Gain) loss from investment in available for sale	70,834	3,725	70,834	3,725
Interest expenses	274,483	337,960	193,142	257,304
Other expenses	113,178	100,269	53,614	44,120
Total	4,065,961	3,511,502	3,280,802	2,568,193



**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013****29. 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 2013 the company has provident fund expense in amount of Baht 184,238.01 (2555 : amount of Baht 178,933.20)

**30. INCOME TAX**

Income tax expenses (revenue) for the year ended December 31, 2013 and 2012 are as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
		“Restated”		“Restated”
Current income tax expenses:				
Income tax expense for the year	12,998	631	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(17,793)	(23,658)		(1,270)
Decrease in income tax rates	(26,851)	-	-	-
Total income tax expenses (revenue)	<u>(31,646)</u>	<u>(23,027)</u>	<u>-</u>	<u>(1,270)</u>

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

Reconciliation of effective tax rate for the years ended December 31, 2013 and 2012 as follows:

	In Thousand Baht			
	Consolidated financial statements			
	2013		2012	
			“Restated”	
	Tax rate		Tax rate	
	(%)	Amount	(%)	Amount
Accounting loss before tax		(456,925)		(448,859)
Accounting loss before tax multiplied by applicable tax rate	20	(91,385)	23	(103,237)
Effect from change of deferred tax		(44,644)		(23,658)
Loss carry forward		-		(3,606)
Effect of income exempt from tax and non-deductible expenses for tax purposes		19,057		20,357
Current year losses for which no deferred tax asset was recognised		86,132		77,425
Effect of elimination entry on the consolidated financial statements		(806)		9,692
Total income tax expenses (revenue)	7	(31,646)	5	(23,027)

  

	In Thousand Baht			
	Separate financial statements			
	2013		2012	
			“Restated”	
	Tax rate		Tax rate	
	(%)	Amount	(%)	Amount
Accounting loss before tax		(393,339)		(305,970)
Accounting loss before tax multiplied by applicable tax rate	20	(78,668)	23	(70,373)
Effect from change of deferred tax		-		(1,270)
Effect of income exempt from tax and non-deductible expenses for tax purposes		16,693		19,727
Current year losses for which no deferred tax asset was recognised		61,975		50,646
Total income tax expenses (revenue)	-	-	0.42	(1,270)

# RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## Notes to the Financial Statements (Continued)

For the year ended December 31, 2013

As at December 31, 2013 and 2012, the components of deferred tax assets and liabilities are as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
		"Restated"		"Restated"
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	869	1,147	-	-
Allowance for declining in value of inventories	1,138	1,125	-	-
Employee benefit obligations	419	455	-	-
Total	2,426	2,727	-	-
<b>Deferred tax liabilities</b>				
Fair value adjustment of property, plant and equipment	(175,458)	(220,402)	-	-
Total	(175,458)	(220,402)	-	-
Net	(173,032)	(217,675)	-	-

As at December 31, 2013, the consolidated financial statement, the Group had temporary differences for future tax deductible and unutilized tax losses carry forward which have not been recognized as deferred tax assets in the statement of financial position amount of Baht 1,337.16 million (December 31, 2012 : Baht 1,030.61 million) and the separate financial statement amount of Baht 1,096.27 million (December 31, 2012 : Baht 719.69 million) because it is not probable that it will be able to utilize the tax benefit in the foreseeable future.

### 31. EARNINGS (LOSS) PER SHARE

For the year ended December 31, 2013 and 2012, the Company calculates earnings (loss) per share as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Earnings (loss) per share				
Loss for the year - equity holders of the parent	(357,918)	(355,596)	(393,339)	(304,699)
The weighted average of number of ordinary shares (Thousand shares)	1,002,913	1,002,913	1,002,913	1,002,913
Basic earnings loss per share	(0.357)	(0.355)	(0.392)	(0.304)

## **RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

### **Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

#### **32. SEGMENT FINANCIAL INFORMATION**

Segment information is presented in respect of the Group' business segments.

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

Segment results and operating assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

##### ***Business segments***

The Group comprise 2 main business segments as follows:

Segment 1 : Produce and distribution of steel product.

Segment 2 : Manufacture of foundation pile, transportation and pile driving

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after tax, as included in the internal management reports that are reviewed by the Group's chief operating decision maker. Segment profit after tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

##### ***Geographic segments***

Management considers that the Group operate in a single geographic area, mainly in Thailand, and has, therefore, only one major geographic segment.

##### ***Major customer***

For the year 2013, revenues from 1 customer of the Group's produce and distribution of steel product business segment represent approximately Baht 793.53 million of the Group's total revenues.

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**Notes to the Financial Statements (Continued)**

**For the year ended December 31, 2013**

The segment financial information of the Group is as follows:

	In Thousand Baht					
	Consolidated financial statements					
	For the year ended December 31, 2013					
	Steel Product Business		Business Piles		Total	
	2013	2012	2013	2012	2013	2012
External revenue	3,190,675	2,731,117	379,422	286,719	3,570,097	3,017,836
Inter-segment revenue	287,502	15,560	-	-	287,502	15,560
Total revenue	<u>3,478,177</u>	<u>2,746,677</u>	<u>379,422</u>	<u>286,719</u>	<u>3,857,599</u>	<u>3,033,396</u>
Interest income	39	322	3,425	1,026	3,464	1,348
Interest expense	274,131	331,785	3,481	1,087	277,612	332,872
Depreciation and amortisation	47,119	50,360	8,338	10,484	55,457	60,844
Gain (loss) before income tax	<u>(438,046)</u>	<u>(340,122)</u>	<u>62,326</u>	<u>16,300</u>	<u>(375,720)</u>	<u>(323,822)</u>
Assets of segment	2,766,862	3,022,087	469,494	358,788	3,236,356	3,380,875
Capital expenditure	2,889	36,960	63,244	550	66,133	37,510
Liabilities of segment	3,222,092	3,050,702	140,562	78,908	3,362,654	3,129,610

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013**

Reconciliation of revenue , profit or loss, asset and liabilities

	In Thousand Baht	
	Consolidated financial statements	
	For the year ended December 31, 2013	
	2013	2012
<b>Revenue</b>		
Total revenue for reportable segments	3,857,599	3,033,396
Other income	50,887	88,649
	3,908,486	3,122,045
Less Inter-segment revenue	(287,502)	(15,560)
Interest income and others	(11,948)	(43,841)
Total revenue	3,609,036	3,062,644
<b>Profit or loss</b>		
Total profit or loss for reportable segments	(375,720)	(323,822)
Adjustment and elimination : inter - segment	(81,205)	(125,037)
Total profit or loss before income tax	(456,925)	(448,859)
<b>Assets</b>		
Total assets for reportable segments	3,236,356	3,380,875
Adjustment and elimination : inter - segment	724,976	906,117
Total assets	3,961,332	4,286,992
<b>Liabilities</b>		
Total liabilities for reportable segments	3,362,654	3,129,610
Adjustment and elimination : inter - segment	18,221	163,077
Total liabilities	3,380,875	3,292,687

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013****33. OBLIGATIONS AND CONTINGENT LIABILITIES**

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	
	2013	2012	2013	2012
Contingent liabilities with Commercial banks				
- Letters of guarantee	7.83	4.97	1.85	1.99
Contingent liabilities with other person				
- Advance note payable for pledged	4.12	9.75	-	-

As at December 31, 2013, the consolidated financial statements, letter of guarantee has bank deposit pledge for collateral in amount of Baht 7.28 Million (December 31, 2012 : Baht 3.21 million).

**34. FINANCIAL INSTRUMENT**

The Group and 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.

**34.1. Policy to manage financial risks**

The Group and the Company 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 and the Company does not hold or issue derivative financial instruments for speculative or trading purposes.

**34.2. 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 and the Company constitutes risk 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, 2013**

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

	Consolidated financial statements			
	Amount (Million Baht)		Interest rate per annum	
	2013	2012	2013	2012
Saving deposit	0.04	1.20	0.50 - 0.875	0.25 - 0.85
Restriction bank deposit	7.28	31.27	0.50 - 1.70	0.25 - 0.85
Loans that due for repayment	-	1,031.36	-	8.75 - 21.00
Short-term loans from financial institutions	749.51	103.77	6.00 - 15.00	3.40 - 7.88
Short-term loan from other person and other company	304.26	300.00	15.00	15.00
Short-term loan from related person	5.00	5.00	12.00	12.00
Liabilities under financial lease	1.33	1.36	3.40 - 7.00	3.40 - 7.00
Debt under restructuring agreement	1,325.83	694.54	8.75 - 9.25	7.00 - 7.13
	Separate financial statements			
	Amount (Million Baht)		Interest rate per annum	
	2013	2012	2013	2012
Saving deposit	0.01	0.06	0.50 - 0.80	0.25 - 0.85
Restriction bank deposit	1.00	28.06	0.50 - 0.80	0.25 - 0.85
Loans that due for repayment	-	1,031.36	-	8.75 - 21.00
Short-term loans from financial institutions	734.53	79.86	6.00 - 15.00	6.00 - 7.88
Short - term loans from the subsidiary company	53.86	48.47	6.75 - 7.00	7.00 - 7.13
Liabilities under financial lease	0.46	1.20	3.40 - 7.00	3.40 - 7.00
Debt under restructuring agreement	1,325.83	694.54	8.75 - 9.25	7.00 - 7.13

**34.3. Risks on exchange rate**

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



**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013**

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

		In million baht			
		Consolidated financial statements			
		Financial assets		Financial liabilities	
	Currency	2013	2012	2013	2012
US Dollar		-	-	4.22	3.11

  

		In million baht			
		Separate financial statements			
		Financial assets		Financial liabilities	
	Currency	2013	2012	2013	2012
US Dollar		-	-	2.65	3.11

**34.4. Credit risks**

The Group and the Company obtains credit risk to trade debts. However, the mainly customers of the Group were capability repayment. As result, the Group and the Company does not anticipate material losses from their debt collection outside those for which provision has already been set aside.

**34.5. 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.

**35. CAPITAL MANAGEMENT**

The objectives of the Group's and 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 Group and the Company can operate business 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.

As of December 31, 2013, the consolidated financial statements, debt to equity ratio are 5.82 : 1 (December 31, 2012 : 3.31 : 1)

As of December 31, 2013, the separate financial statements, debt to equity ratio are 6.36 : 1 (December 31, 2012 : 3.27 : 1)

**36. LITIGATION**

As at December 31, 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 rate at 7.50% per annum until the payment is settled. The subsidiary has recorded the full amount of this cost in its accounts. Currently, the first lawsuit in amount of Baht 7.43 Million, the Company has already paid full amount and the creditor has filed a petition for withdrawal to the court. The second lawsuit amounts of Baht 39.39 Million, the Company and creditor have made a compromise agreement to repayment the debt by installment within 2 years. according to note No.20.

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013**

As at December 31, 2013, a subsidiary and director (on behalf of principal and agent) constitute prosecuted case claiming in allegation of defaults debt repayment and interest expense of the loan contract according to note No. 22, claiming in the amount of Baht 420.71 million plus interest rate at 15.00% per annum and borrowing fees at 11.40% per annum of principle in amount of Baht 300.00 million until the payment is settled. Currently, the case is being heard by the Court. The subsidiary has recognized such liabilities cover the damage.

As at 31 December 2013, a lawsuits had been filed against the Company claiming in the amount Baht 25.35 Million. This comprised debt of Baht 24.61 million arising from the purchase of goods and interest charges of Baht 0.74 million plus interest rate at 12.00% per annum until the payment is settled. The civil court ordered the Company to pay the payable, the Company filed an appeal against the order with the appeal court. However, the amount payable has not yet been finalised because the case is being heard by the Court, so no provision has been recorded in respect of the accrued interest in connection with these claims.