



RICH ASIA

RICH ASIA STEEL PUBLIC COMPANY LIMITED

2008

ANNUAL REPORT

รายงานประจำปี 2551

ONE STOP SERVICE





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Financial Statement for the year ended December 31, 2008



Message from Chairman

The world economic situation in 2008 had been fluctuated and slow down by vary factors including the economic and financial crisis in the United States of America. Since America, as one of the big consumers were faced economic crisis, the consumption of products in all sectors were affected to be decreased as well. Such crisis affected to all regions over the world. For Thailand, beside the effect from economic crisis, the tension of political was also additional factor to affect to the main industry for instance tourism industry, construction and real estate industry, electronic parts industry especially steel industry which is the fundamental industry that related to other industries.

Rich Asia Steel Public Co., Ltd., who performs in steel industry, is also unavoidable of such effects. In 2008, the company earned sales amount of 4,654.08 million baht increased from the same period of last year 0.38% that affected by the fluctuation of raw material price of which referred to world market price. The steel price had been drastically reduced in 3rd quarter until 4th quarter of 2008 that reflected to the low growth rate of sales.

On behalf of Board of Directors, the company has been operated with careful and good corporate governance and prepared to invest for business expansion. We would like to express appreciation to shareholders and valued customers for your trust and support, including staffs who intended on hard working for company's development.



Gen.

(Naruedol Dejpradiyuth)

Chairman



Message from Chief Executive Officer

Business policy of Rich Asia Steel Public Co., Ltd. in 2008 was plan for products expansion strategy with growth rate of sales not less than 20% of sales in 2007. In the first half year 2008, the company could achieve the goals as plan and business performance of such period is quite impressive. However, since mid year 2008, steel price has been drastically declining in a short period and continue declined until the end of year 2008 that similar to oil price. These has effected to customers' purchasing which was be held for stability of steel price. Also to the sensible political situation, steel consumption volume has been decreased in accordance with the postponement of mega-projects by government including private sector investments.

The company's performance in 2008 was stated net loss amount of 204.57 million baht which is mainly occurred by loss from declining in value of inventories. Such provision loss was effected by price, the outside factor, which beyond company's control and being done according to principles of accounting and good corporate governance for careful management.

On behalf of Board of Executive Committee would like to express that company's Executive Committee has worked professionally, loyalty, and hardly intended management for the best performance to the company and thank to valued shareholders, partners and concerned parties who support our business throughout the year. The Executive Committee will professionally manage operations to create company's value and worthy benefits to all parties.



Angkarn Tantiviroon
Chief Executive Officer



BOARD OF DIRECTORS



Gen. Naruedol Dejpradiyuth
Chairman / Chairman of Audit Committee



Mr. Surapong Churangsarit
Director / Audit Committee



Asst. Prof. Dr. Apicha Boonpattarakan
Director / Audit Committee



Ms. Angkakarn Tantiviroon
Director



Mr. Somkiat Vongsarojana
Director



Mr. Teera Phoncharoensuk
Director



Mr. Rittirong Intarajinda
Director



Mrs. Phimsiri Keeratithiansiri
Director



EXECUTIVE COMMITTEE



Ms. Angkarn Tantiviroon
Chief Executive Officer



Mr. Somkiat Vongsarajana
Managing Director



Mr. Teera Phoncharoensuk
Production Director



Mr. Songdech Atimethin
Sales Director



Mr. Ream Saijam
Chief Financial Officer



Audit Committee Report

The Annual General Shareholders Meeting of 2006 on March 14, 2006 has resolved to nominate Audit Committee of Rich Asia Steel Public Co., Ltd. consisting of 3 Independent Directors and Internal Audit officer as secretary In 2008 Audit Committee which is as follow

- | | |
|---|----------------------------------|
| 1. Gen. Naruedol Dejpradiyuth | Chairman of Audit Committee |
| 2. Mr. Surapong Churangsarit | Audit Committee |
| 3. Asst.Prof. Dr. Apicha Boonpattarakan | Audit Committee |
| and Mr. Vorapoj Chaisantana | Secretary to the Audit Committee |

The Audit Committee has followed and responsible for functions as assigned. The mission and major responsibilities include reviewing financial statements to accounting standards and adequately disclosed, review the system of internal control and internal audit to be appropriate, review the company compliance with applicable laws, follow the principles of corporate governance and supervise conflict of interest disclosure and consider the related parties to be accurate and complete including proposed appointment external auditor for the company.

For the fiscal year ended December 31, 2008, The Audit Committee has organized 5 times meetings to consider and review company's activities as followings.

Audit Committee	Attending Meeting / Total Meeting
Gen. Naruedol Dejpradiyuth	5/5
Mr. Surapong Churangsarit	4/5
Asst.Prof. Dr. Apicha Boonpattarakan	5/5

1. Reviewed company's quarterly and audited financial statements of 2008 which have reported financial status and operation in 2008 and related transactions as stated in financial statement including management's clarification prior submission to the Board of Directors. The financial statements are stated in general accepted accounting principles and carried out an adequate information disclosure.

2. Reviewed the reasonability of related transactions and the operation transactions between company with related person and/or business which have been expressed a normal and general business transaction according to business necessity and company's optimized benefit.



3. Approved annual internal audit plan and quarterly review audit operation, audit report, progress of operation plan and viewed that company has an adequate, appropriate and efficient internal audit system.
4. Assess the adequacy of the company's internal control system by considering with Management and viewed that company has an adequate, efficient internal control system. The company has development and adjustment according to current circumstances and no significant errors occurred.
5. Examined company's risk management and advise the Management periodically and frequently to review and improve risk management plan to be in accordance with any change of circumstances.
6. Examined company's compliance with of Securities and Stock Exchange (SET) law and other laws relevant to company's business.
7. Advised the Management on focusing fully good corporate governance pursuant to regulations of Stock Exchange of Thailand in order to confirm confidence to the shareholders and all concerned parties.
8. Selected and proposed to the Board of Directors for their perusal for the Shareholders meeting's approval to nominate Mr. Somchai Kurujitkosol and/or Mr. Ampol Chamnongwat and/or Miss Wanraya Puttasatien and/or Mr. Naris Saowalaksakul of S.K Accountant Services Co., Ltd. as the company's auditor's for 2008 accounting period with audit service fee of Baht 965,000 and other actual expenses related to auditing, i.e. reviewing financial statements in English, traveling expense, allowance, residence expense for auditing and fiscal inventory checking.

The Audit Committee has carefully examined the works under responsibility and providing advice to the company with a good co-operation from company's management. The Audit committee has concluded that the company conform a good corporate governance and adequate internal control system including company's financial report audited by the approval auditor are in general accepted accounting principles and carried out an adequate information disclosure.

Gen.

Naruedol Dejpradiyuth

Chairman of Audit Committee



General Information**Company's Name, Location and Business Type**

Company's Name	:	Rich Asia Steel Public Company Limited
Symbol	:	RICH
Nature of Business	:	Seller and supplier of steel products which acquired from trading as well as hiring other steel plants to produce the products for the company, the company is also a trader and supplier of other types of steel products including raw materials and finished products. The finished products are composed of, for example, structural steel pipe, lipped channel, hot rolled coil and sheets, billets, and others.
Head Office	:	272 Soi Wat Channok, Praram III Road, Bangkor Laem, Bangkok 10120 Tel. 0-2689-3636 Fax. 0-2689-3688
Factory	:	1. 64/7 Moo 1 Praram II Road, Tambol Kokgrabue, Amphor Muang Samut Sakhon, Samut Sakhon Province 74000 Tel. 0-3445-8394 Fax. 03445-8162 2. 141/3-141/4 Moo 3 Tambol Bangprong, Amphor Muang Samut Prakarn, Samut Prakarn Province 10270 Tel. 0-2383-0485 Fax. 0-2383-0485
Distribution Centers	:	1. 64/7 Moo 1 Tambol Kokgrabue, Amphor Muang Samut Sakhorn, Samut Sakhon Province 74000 Tel. 0-3445-8393 Fax. 03445-8161 2. 33/8 Moo 5 Tambol Bangpleeyai, Amphor Bangplee , Samut Prakarn Province 10540 Tel. 0-2755-5364 Fax. 0-2755-5364 3. 116/7 Moo 5 Tambol Pantainorasingh, Amphor Muang Samut Sakhon, Samut Sakhon Province 74000 Tel. 0-3487-2255 Fax. 0-3487-2254 4. 207/1 Moo 3 Tambol Lamsai, Amphor Wangnoi, Ayutthaya Province 13000 Tel. 0-3527-1711 Fax. 0-3527-2017
Registration No.	:	0107549000050
Home Page	:	http://www.richasiasteel.com
Customers Care Center	:	0-2689-3682
(Customers' Complain Center)	:	http://www.customerscare@richasiasteel.com



Registered Capital	:	1,500,000,000 Baht
Ordinary Shares	:	15,000,000,000 Shares
Par Value	:	0.10 Baht per share
Paid-up Capital	:	1,000,000,000 Baht
Paid-up Ordinary Shares	:	10,000,000,000 Shares

Referrals and Their Locations

Common Stock Registrar

Thailand Securities Depository Co., Ltd.
Capital Market Academy Building, 2nd Floor
2/7 Moo 4, (North Park Project)
Vibhavadi-Rangsit Road, Tongsonghong
Laksi, Bangkok 10210
Tel. 0-2596-9000 Fax. 0-2832-4994-6

Auditor

1. Mr. Somchai Kurukitkosol CPA No. 3277
2. Mr. Ampol Chamnongwat CPA No. 4663
3. Ms. Wanraya Puttasatien CPA No. 4387
4. Mr. Naris Saowalagsakul CPA No. 5369

S.K. Accountant Services Co., Ltd.
128/51 Phayatai Plaza Building,
14th Floor, Phayatai Road, Thungphayatai,
Ratchatavee, Bangkok 10400
Tel. 0-2214-6464-70 Fax. 0-2215-4772



Background

Rich Asia Steel Public Company Limited was established by Thai and Hong Kong investors on May 10, 1999 as Rich Asia Trading (Thailand) Co., Ltd., with an initial registered capital of Baht 1.00 million. The Company aimed to provide and distribute steel products by trading and contracting other manufacturers to produce steel products for the Company. In 2003, the Company has expanded its business to be a manufacturer of structural steel products and the Company increased registered capital to Baht 250 million providing that to purchased machinery to support production and sales increased. In 2004 increased registered capital to Baht 400 million providing that to purchased machinery, investment in distribution center for supporting the growth of sales. In 2006 The Company being listed in the Stock Exchange of Thailand and increased registered capital to Baht 500 million for business expansion, investment of land, plants, machinery for industrial structural steel and for working capital. In 2007 increased registered capital of Baht 1,000 million to support expansion of sales and working capital.

Currently, the company has paid-up share capital of Baht 1,000,000,000. The business has managed by Miss Angkakarn Tantiviroon, who has majority proportion 11.57 % of issued and paid-up capital. The total production capacity is 215,000 tones per year with the actual utilization rate of 16.93% of total production capacity in 2008.

The Company's background and major development can be summarized as follows:

- | | | |
|---------------|---|--|
| 1999 May | - | Established the company named "Rich Asia Trading (Thailand) Co., Ltd." with initial registered capital of Baht 1.00 million to operate as a trading company to provide steel products such as hot rolled coil and sheets, structural steels, lip channel steels, billets and other steel products. |
| 2000 January | - | Employed Siam Ferro Industry Co., Ltd. to provide steel production services. |
| February | - | Employed Inter Metal Tube Alliance Co., Ltd. to provide steel processing services. |
| 2001 January | - | Increased its registered capital to Baht 5.00 million to be used as working capital. |
| 2002 June | - | Increased its registered capital to Baht 75.00 million to be used as working capital. |
| 2003 June | - | Set up plant and warehouse to expanded its business to become a manufacture of steel pipes. |
| November | - | Launch its processing steel products for sale in domestic. |
| December | - | Increased its registered capital to Baht 250.00 million to purchase a steel pipe machine. |
| 2004 December | - | Increased its registered capital to Baht 400.00 million to be used as working capital. |



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- 2005 August - Purchase C-Channel machine.
- 2006 March - Changed the name from “Rich Asia Trading (Thailand) Co., Ltd.” to “Rich Asia Steel Plc.”
- Increased registered capital from Baht 400 million to Baht 500 million and changed par value from Baht 100.00 to Baht 1.00 each which resulted in an increase in the number of ordinary shares from 400,000,000 shares to 500,000,000 shares and converted the company to be public company with the intention to be listed on the Stock Exchange of Thailand.
- August - Listing date as at 31 August 2006 (Trading commencement on 31 August 2006 by Initial Public Offering totaling 100 million shares)
- October - Achieved the approval certificate from Thai Industrial Standards Institute 107-2533 for Hollow structural steel.
- November - Achieved the approval certificate from Thai Industrial Standards Institute 1228-2537 Cold-formed structural steel.
- Operated the third local Distribution Center (D/C) at Tambol Pantainorasingh, Amphor Muang Samut Sakhon, Samut Sakhon Province
- 2007 January - Operated the fourth local Distribution Center (D/C) at Tambol Lamsai, Amphor Wangnoi, Ayutthaya Province
- February - Purchase land located in Tambol Bangpai Amphor Muang Chachoengsao Province for setting up Distribution Center.
- April - Signed agreement for buying land and building at Tambol Bangprong Amphor Muang Samutprakarn Province for set up hot rolling mill.
- June – July - Signed contract for purchasing machine for hot rolling steel.
- December - Increased registered capital from Baht 500 million to Baht 1,000 million for Allocation to existing shareholders 500 Million bath, offering price 2 baht each, par value Baht 1.00 each, the number of registered ordinary shares increased from 500,000,000 shares to 1,000,000,000 shares
- Complete installation of hot – rolling machine and test run for commercial production
- 2008 May - Changed par value of ordinary shares of the company from the value of Baht 1.00 per share to value of Baht 0.10 per share. As a result, the number of ordinary shares of the company were increased from 1,000 million shares to 10,000 millions shares.



- August - Increasing registered capital from 1,000 millions baht to 1,500 millions baht by issuing new ordinary shares in number of 5,000 millions shares, par value of Baht 0.10 per share for reservation convertible warrants No# 1 which offered to existing shareholders proportionally.
- December - The Board of Directors meeting no. 9/2008 held on 27 December 2008 passed a resolution approving the company's acquisition of ordinary shares of Thai National Product Co., Ltd. in a total amount of 26,100,600,000 shares each of Baht 0.01 par value, representing 100% of Thai National Product Co., Ltd total issued and paid-up shares in the amount not exceeding 650 million baht The company is under request for credit facilities from financial institutes. The company should perform this transaction within June 30, 2009.

**Financial Highlights**

Data from Financial Statement

	2006	2007	2008
Total Assets	1,707.08	2,075.13	3,246.20
Total Liabilities	965.51	1,473.22	1,849.34
Total Shareholders' Equity	741.57	601.91	1,396.85
Sales	4,332.51	4,551.43	4,550.65
Total Revenues	4,346.94	4,636.37	4,654.08
Gross Profit	218.39	184.71	-11.59
Operating Profit (BFIT)	147.22	-13.56	-73.21
Net Profit	81.62	-92.14	-204.57
Retained Earnings	123.32	29.62	-174.94

Financial Ratios

	2006	2007	2008
Liquidity Ratio			
Current ratio (times)	1.34	1.04	1.38
Quick ratio (times)	0.67	0.63	0.43
Cash flow liquidity ratio (times)	(0.45)	(0.19)	(0.67)
Receivables turnover (times)	5.77	6.07	5.48
Collection period (days)	63.22	60.16	66.63
Inventory period (times)	10.06	9.53	6.51
Inventory turnover period (days)	35.79	37.76	56.06
Account payable turnover (times)	12.61	24.04	25.76
Payment period (days)	28.55	15.18	14.17
Cash cycle (days)	65.12	89.63	69.10
Profitability Ratio			
Gross profit margin (%)	5.04	4.16	(0.25)
Net on EBIT (%)	3.51	(0.21)	(1.61)
Net Profit (%)	1.88	(1.99)	(4.40)
Return on equity (%)	10.97	(15.31)	(20.47)
Efficiency Ratio			
Return on assets (%)	5.07	(4.87)	(7.69)
Return on fixed assets (%)	59.65	(30.57)	(60.11)
Assets turnover (times)	2.70	2.45	1.75
Financial Ratio			
Debt to equity ratio (times)	1.30	2.45	1.32
Interest coverage (times)	4.01	(0.15)	(0.56)
Cash Fixed Charges Coverage Ratio	3.86	(0.10)	(0.48)
Dividend payout ratio (%)	40.54	57.81	0



Nature of Business

Rich Asia Steel Public Company Limited is a trader and supplier of other types of steel products including raw materials and finished products. The finished products are composed of, for example, structural steel pipes, hot rolled coil and sheets, billets, and others. With company's policy of being a manufacturer, trader and supplier of all types and sizes of steel products; hence, the company can be deemed as a "One-Stop-Service Company" by the coordinate of purchasing planning, production planning and hiring other steel plants to produce, and the efficiency of inventory control managing to provide the product for meeting the customer demand by prompt quality and quantity.

The company's products and services can be classified into 3 categories as follows:

1. Trading and distribution of various steel products

The Company acquires steel products from trading as well as hiring other steel plants to produce the products for the Company including raw material and finished products as follows

1.1 Structural steel pipes which are steel pipes and lip channel steel

The Company contracts manufacturers to produce square tube, black steel pipe and rectangular tube with standard length 6 meters, diameter ½" – 8" and thickness 1.00-4.50 millimeters. In addition, the Company provides trading of steel products to fulfill customers' need for general usage such as construction and water pipes.

1.2 Hot rolled steel coil and sheets

The Company purchases hot rolled steel coil and sheets from distributors and resell them to customers who are wholesalers and manufacturers in various industries such as construction, automobile industries and furniture etc. The product has thickness 1.20-12.00 millimeters with varying sizes according to customers' specifications, mainly used for construction, shipyard, heavy industry, for example, sugar factory and oil refinery etc.

1.3 Billet and other products

Beside procurement and sale of structural steel pipe, lip channel, hot rolled coil and plate, the company still also procure and sell long products and other steel products, for example, checkered plate, flat bar, angle bar, channel, galvanize steel pipe, fitting, structural steel H-beam and I-beam, round bar and wide flange beam etc. With the One-Stop-Service policy, the company makes best endeavor to serve the customers.

2. Manufacturing structural steel

Besides trading and distribution of various steel products, the company has established production lines for structural steel as follows:



2.1 Steel pipes

The Company is a manufacturer of steel pipes consisting of square tubes, black steel pipes and rectangular tubes with standard length 6 meters, diameter ½ " – 3" and thickness 1.00-4.50 millimeters. Currently, the Company has 2 machines with total capacity of 75,000 tons per year. The actual utilization rate in 2008 was 8.90% of machine capacity.

2.2 Lip channel steels

The Company produces 5"- 8" lip channel steels with thickness 1.60-3.20 millimeters and also produces 8" chassis used as a component of a truck. Currently, the Company has 1 machine with total capacity of 50,000 tones per year. The actual utilization rate in 2008 was 19.66% of machine capacity.

For the products which the Company cannot produce or costly for changing its production line to produce, the Company will contract other manufacturers to produce for the company.

3. Industrial Structural Steel

Industrial structural steel which was produced and sold by the company for use in construction and infrastructure. The company has 1 machine with total capacity of 90,000 tons per year. The actual utilization rate in 2008 was 22.25%.

Revenue Structure

Sources of Revenue	2006		2007		2008	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from sales						
1. Structural Steel						
1.1 Square tube	1,076.39	24.76	704.21	15.19	537.64	11.55
1.2 Black steel pipe	589.98	13.57	320.50	6.91	269.04	5.78
1.3 Rectangular tube	624.85	14.37	464.03	10.01	339.52	7.29
1.4 Lipped channel	634.16	14.59	474.79	10.24	462.14	9.93
1.5 Angle Bar	11.12	0.26	55.40	1.19	54.85	1.18
1.6 Deformed Bar					599.04	12.87
2. Hot rolled steel coil and Sheets	1,035.46	23.82	1,035.46	41.32	1,040.59	22.34
3. Billet	316.68	7.29	316.68	5.42	801.73	17.22
4. Other *	43.87	1.01	43.87	7.89	446.40	9.59
Total Revenue from sales ⁽¹⁾	4,332.51	99.67	4,551.43	98.17	4,550.65	97.74
Other revenue **	14.42	0.33	84.95	1.83	105.43	2.26
Total Revenue	4,346.93	100.00	4,636.38	100.00	4,656.08	100.00

* Others consist of scrap, steel strapping, cold roll coil, round steel bars, H-beam, wide flange beams

** Other revenue consists of gain (loss) from exchange rate, revenue from truck rental and transportation service, interest earned management instead of trading account receivable and others



Remark: (1) Revenue from sales can be categorized by type of business using the proportion of procurement of products as follows:

Sources of Revenue	2006		2007		2008	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from sales						
1. Supplying						
1.1 Trading	1,153.06	26.61	2,583.39	56.76	997.75	21.93
1.2 Hiring other steel plants	2,632.71	60.77	1,362.24	29.93	2,217.97	48.74
Total revenue from supplying	3,785.77	87.38	3,674.79	80.74	3,215.72	70.67
2. Manufacturing	546.74	12.62	605.80	13.31	1,334.93	29.33
Total revenue from sales	4,332.51	100.00	4,551.43	100.00	4,550.65	100.00

Goals and Objectives of the Company

“RICH” is one of the leaders in trading and supplying steel products. The company has a policy of being a leading provider and manufacturer of steel products including raw materials and finished products. The Company's objective is to operate as a full range trader and supplier providing its customers various types and sizes of steel products as “One-Stop-Service”. The company also provides fast and promptly delivery service with the purpose of responding to customer needs promptly.

The company targeted to develop its business to be a leader in steel production to enhance stability of company's production capacity and products variety by launching new products for example :

- 1) Project of producing structural steel for using in automotive industry and construction industry.
- 2) Procurement SGHRC (Special grade Hot Rolled Coil) for the gas cylinder industries to expand customer base and enhance company's margin.

Customer Characteristic and main customer group

The major's target customer are steel traders and agents who trade structural steel and other steel products, and related industrial company who use the company's products as raw materials.

Sales and Distribution sections

The company sell products to an approximately 300 wholesalers located throughout Bangkok, outskirts and provinces, which sell products to customers. Moreover, the company directly sells to enterprises which use the Company's products as raw materials. The sale proportion of wholesalers to enterprises is 95 percent to 5 percent. Currently, the Company has 4 distribution centers. 1 distribution center is located in Samut Prakarn province. 2 distribution centers are located in Samut Sakhon province and 1 distribution centers is located in Ayutthaya province.



Competition

Currently, company's steel pipe products targeted to serve to general usage market (Mass Market) which is in great demand, such as construction in housing and office building. There are four major competitors which are in the same customer base. However, the competition is not severe even though there are many competitors because each competitor focus on target different group of customers, Also, the trend of steel consumption is being continually increase as the result of expansion of property and construction industries, and usage of steel pipes substitute to other construction materials.

Products procurement

The Company' raw materials and main products are hot rolled coil and steel sheet, steel pipe, cold formed C-Channel, and other types of steel products (billet, rectangular steel, square steel, water tube, slit, joint, steel bar ,etc.) The company procures various steel products through trading, hiring and producing for selling to the customers which are 21.93%, 48.74% and 29.33% respectively in 2008,

Raw materials purchasing policy

The Company will order hot rolled coil 1 month in advance with approximately 10,000 tons per order consistency to have enough raw materials with quality as required by customers.

Production policy

The Company has a policy to utilize its existing machines to focus on steel products with special specifications (made to order) and to produce standard steel products if there is no order for special specification products. The Company will mainly subcontract orders to other manufacturers to produce only general standard products. Thus, The Company will subcontract only steel products, which company's plants cannot produce due to size and quality or it is costly for changing or adjust its production line to produce such products.

Environmental Influences

Major environmental influences of Rich's operation are noise from operation and the collected and sold scraps. For noise, the company's operation conforms to the regulations of the Department of Labor Protection & Welfare. Since operating the factory, the company has never been filed by any lawsuit relating to environmental influences or any warning or fine from government agencies following the regulated acts, including Factory Act AD 2535 and Environmental Act AD. 2535. Moreover, the factory has been continues to renew license and permits by regulator every year.

**Risk factors**

1. Risk from fluctuation of raw material price

The company's major raw material is Hot Rolled Coil (HRC) which accounted for 79.57% of total value of raw material purchased in 2008 and all of HRC purchases are from import 10.25% and domestic 89.75%. HRC price will be changed according to world price and domestic demand and supply which might affect raw materials cost and gross margin.

In order to control risk from fluctuation of HRC, the managements promptly monitors steel price and evaluates trend of world price and domestic price of HRC, market situation as well as cost of goods sold and set its selling price which its level could reduce the risk from fluctuation of raw material price.

2. Risk from products procurement

The company mainly purchases Hot Rolled Coil from a domestic supplier, Great Eastern International Co., Ltd. one of distributor of G steel PLC, accounting for 51.49% of total value of raw material purchase in 2008. Hence, the company may face the risk of relying on supplier, who may supply inadequate raw materials for production. Currently, there are only 2 HRC manufacturers who are Sahaviriya Steel Industry Public Company Limited, G Steel Public Company Limited.

However, and the company has never experienced any shortage of raw material with this supplier due to a consistency placing order and the company is able to reduce the risk by importing raw material from foreign countries.

3. Risk from exchange rate fluctuation

In 2008, the company imported raw materials from China, Singapore, Hong Kong and Vietnam, which were billets, coils, spiral wire and scrap accounting for 24.76% of total raw materials purchased. The company may face the risk associated from speculation of exchange rate and fluctuation by government policy. The company mitigates its risks by entering forward contracts, therefore, the company can totally hedge its exchange rate risk.

4. Risk from competitive law change

Following the free trade agreement among some countries, i.e China, Australia, New Zealand and India inter alia the decrement permission import of tax steel pipe to 0-5% in 2018 to China. In 2007 Thailand had agreed to be economic partnership with Japan to open free trade on April 3, 2007. The agreement coming into effect since November 1, 2007 to encourage trading and investment for the business. HRC and steel pipe are being in the agreement of decreasing the tax for Thailand's import special grade hot rolled coil from Japan for automobile industries following to the Thailand and Japan agreement. The effects to Thai steel industry is the import tax must be reduced to 0% immediately for the special grade HRC which can not be produced in Thailand. For HRC which able to be produced in Thailand, the import tax will be gradually reduced to 0% within 11-15 years from promulgated date. After acceptance of agreement the company may be faced effects by competitors who import HRC or steel product to sell in domestic. However, the importers who import products from foreign countries have the



disadvantages of lead time and freight charges which may not cause much difference price between imported and domestic and they may faced risk to delivery on-time. Also government policy to control production standards, the importers must apply TISI standard for HRC and steel products which is caused same treats for importer.

The protection risk of FTAs, the company may procure lower price raw material from foreign countries to maintain its competitiveness.

Shareholding Structure

Major Shareholders as of June 10, 2009 (Valued Baht 0.10 per share)

Ranking	Shareholders	Number of shares	Percentate
1.	<u>Ms.Angkakarn Tantiviroon's group</u>		
	1.1 Mrs.Phimsiri Keeratithiansiri	639,500,000	6.40
	1.2 Ms.Angkakarn Tantiviroon	485,500,000	4.86
	1.3 Ms.Chen Marcus	23,500,000	0.23
	1.4 Mr.Chen Xiangming	8,906,250	0.08
	Total	1,157,406,250	11.57
2.	Societe Generale Bank & Trust, Singapore Branch	720,000,000	7.20
3.	<u>Mr.Komol Jungrungruangkit's group</u>		
	3.1 Mr.Komol Jungrungruangkit	361,754,530	3.62
	3.2 General Partnership Auemporn by Mr.Komol Jungrungruangkit	293,859,900	2.94
	3.3 General Partnership Thong-alarm by Mr.Komol Jungrungruangkit	22,200,000	0.22
	3.4 General Partnership Klinpai by Mr.Komol Jungrungruangkit	18,033,100	0.18
	Total	695,847,530	6.96
4.	Mr. Charn Lertprasertthavorn	378,877,500	3.79
5.	UBS AG Singapore, Branch-PB Securities Client Custody	273,000,000	2.73
6.	Mr. Manit Panyo	234,742,000	2.35
7.	Mrs. Supa Sinprasitkul	222,822,560	2.23
8.	Mrs. Ranee Ur-Taveekul	203,940,000	2.04
9.	Mr. Taweesak Watcharakawong	192,000,000	1.92
10.	Ms. Rungrat Soi-ngen	190,750,000	1.91
	Total	4,269,385,840	42.70
	Other Shareholders	5,730,614,160	57.30
	Total Shareholders	10,000,000,000	100.00

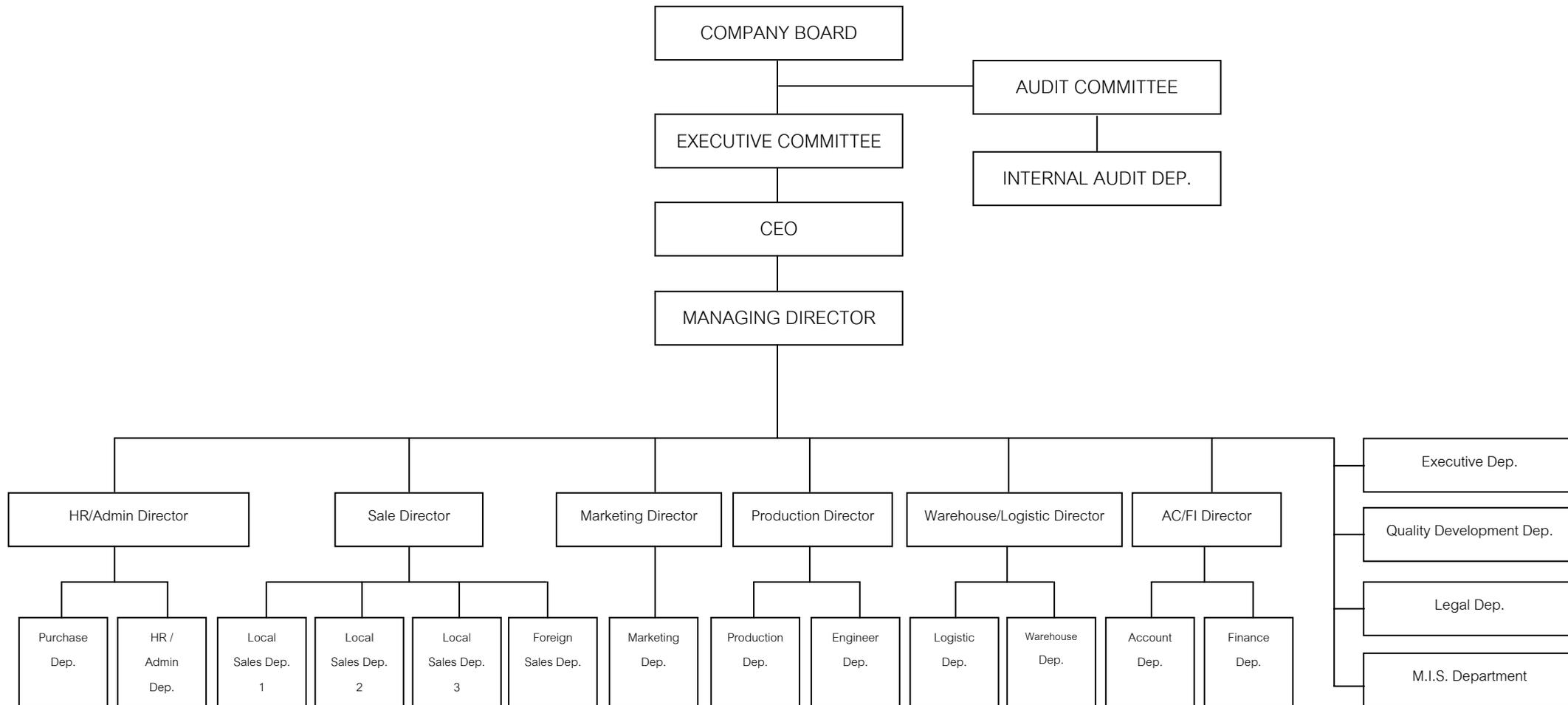
Dividend Policy

Not less than 50% of RICH's net profit after tax and legal reserve depending on its operating result, financial status, liquidity, cash requirements and any other relevant factors.



Management

Organization Chart





Management Structure

Company's Management Structure consists of Board of Directors and two Committees i.e. Audit Committee and Executive Committee.

Board of Directors

Company regulation specifies that Board of Directors comprises at least 5 directors. Not less than one half of all directors must have domicile in Thailand. The board will be responsible for all activities of the company and has authority and duty to carry out the activities within the scope of the law, the objectives and articles of association of the company and according to the resolution of the shareholders' general meeting and has authority to do anything as specified in the Memorandum of Association or those related to such action. The board may assign any person or persons to work in any activity on behalf of the board.

As December 31, 2008 of the Board of Directors comprises of 8 members:

- 3 Executive Directors
- 2 Non-Executive Directors
- 3 Independent Directors

Board of Directors' Name

1. General Naruedol	Dejpradiyuth	Chairman / Chairman of Audit Committee (Independent Director)
2. Mrs. Phimsiri	Keeratithiansiri	Director (Non-Executive Director)
3. Mr. Rittirong	Intarajinda	Director (Non-Executive Director)
4. Miss Angkarn	Tantiviroon	Director (Executive Director)
5. Mr. Somkiat	Vongsarajana	Director (Executive Director)
6. Mr. Teera	Phoncharoensuk	Director (Executive Director)
7. Mr. Surapong	Churangsarit	Director / Audit Committee (Independent Director)
8. Asst.Prof.Dr. Apicha	Boonpattarakan	Director / Audit Committee (Independent Director)

Director's Authority on behalf of the Company

Miss Angkarn Tantiviroon or Mrs. Phimsiri Keeratithiansiri co-sign with Mr. Somkiat Vongsarajana or Mr. Teera Phoncharoensuk together 2 persons and affix company's seal.

Independent Director

The current Board of Directors comprises of 3 Independent Director, which is one third of the total number. Chairman is an Independent who does not hold the title of top Management. Board of Directors resolves to define the qualifications of Independent Directors as follows:



1. Hold not over 5% of register capital of the company, subsidiary or related company, therefore, count all the stock that hold by all related people.
2. Not being Executive Directors or involve in management, or being an employee, officer or advisor who receive the company salary.
3. Being a director who has no direct or indirect benefit or interest in finance and management of the company, affiliated company, associated company or majority shareholder of the company, including the benefit or interest of the said nature during the period of 1 year before his appointment as a member of the audit committee except where the board of directors has carefully considered that such previous benefit or interest does not affect the performance of duties and providing independent opinions.
4. Being a director who is not a related person or close relative of any management member or majority shareholder of the company and being a director whom is not appointed as a representative to safeguard interests of the company's directors, majority shareholders or shareholders who are related to the company's majority shareholders.
5. Being capable of performing duties, providing opinions or reporting the results of performance of work according to the duties delegated by the board of directors free and clear of the control of the management or the majority shareholders of the company including related persons or close relatives of the said persons.

Authorities and responsibilities of the Board of Directors

Board of Director's meeting no.1/2006 held on February 3, 2006, there is a setting of authorities and responsibilities of the Board of Directors.

The authorities and responsibilities are as following:

- 1) Assign the company policy especially in management, financial, and also manage all company's risks.
- 2) Investment consideration, authorize the budget and any investment project for the company. Also manage all projects to follow the company's plan and policy.
- 3) Oversee the management of the company to reach the highest target. And also plan the way to solve any problems that may occur during doing any projects.
- 4) Arrange the general data report and the Company's financial report to the shareholder, the beneficent or general investor correctly with update and legally data.
- 5) Acknowledge all important reports from Audit committee, internal auditor, auditor and company's counselor. And also provide discipline for improvement and correction any significant mistakes.



- 6) Ensure that the company has an adequate and appropriate internal audit and risk management.
- 7) Issuing the succession plan for top management level.
- 8) Assigning Audit committee and approve the duties of Audit committee.
- 9) Assigning management committee or authorize one or more committees, or other person to be an authorized person. Therefore, the authorized person must not have authority to approve anything for any committee who will be the beneficiary or conflict of interest to the company or subsidiaries. (Definition of "The person who may has conflict" means according to the announcement of Securities and Exchange Commission)

Except that project pass the shareholder's meeting. However, the committee who possibly be the beneficiary or conflict of interest to the company or subsidiaries, will be the one who cannot vote about these matters.

- legal matter that must pass the shareholder's meeting
- making some transaction by the beneficent committee that might already appears in rules and regulation of the stock market, that must pass the shareholder's meeting.
- therefore, these following matters must agree by the shareholder's meeting and Board of Director's meeting with the lowest of $\frac{3}{4}$ of all shareholder's vote.
 - Sale or transfer all management of the company or some essential part of it to other person.
 - Accept the purchasing or transferring of other public company, private company to be their company.
 - Doing, improving or canceling any contracts involve with the management renting of the whole company or some essential part of it. Assigning other person to control the company or merging with other person the sharing them the profit.
 - Issuing new stock for paying to the creditor according to the changing debt to investment project.
 - Decreasing the registered capital of the company by decreasing the value of stock and the amount of stock.
 - Increasing capital, decreasing capital, issuing bond, merging or termination the company.
 - Other matters according to laws.

**Board of Directors' Meetings**

In 2008, Board of Directors' meetings have been occurred 9 times as the following attendance:

Name	Position	Attending Meeting / Total Meeting (Times)
1. General Naruedol Dejpradiyuth	Chairman (Independent Director)	9/9
2. Mrs. Phimsiri Keeratithiansiri	Director	9/9
3. Mr. Rittirong Intarajinda	Director	8/9
4. Miss Angkakarn Tantiviroon	Director	9/9
5. Mr. Somkiat Vongsarojana	Director	9/9
6. Mr. Teera Phoncharoensuk	Director	9/9
7. Mr. Surapong Churangarit	Director (Independent Director)	8/9
8. Asst.Prof.Dr. Apicha Boonpattarakan	Director (Independent Director)	8/9

Audit Committees

The current Audit Committee consists of 3 members, all of whom are Independent Directors and have no business relations / professional services with the company, subsidiaries, joint ventures, affiliates and others which could cause conflict of interest and are not being directors of company, subsidiaries or, affiliates, of which nominated by Board of Directors. Two members of the Audit Committee have adequate expertise and experience to review creditability of the financial reports. The Audit Committee is legally assigned from Board of Directors to responsible as defined in Charter of Audit Committee, with regular meetings at least once quarterly.

The Audit Committee named as follow:

1. General Naruedol Dejpradiyuth Chairman of Audit Committee / Independent Director
2. Mr. Surapong Churangarit Audit Committee / Independent Director
3. Asst.Prof.Dr. Apicha Boonpattarakan Audit Committee / Independent Director

The audit committee No. 2 and 3 have adequate expertise and experience to review creditability of the financial reports.

Authorities and responsibilities of Audit Committee

- 1) Oversee the Company's financial reporting process and the disclosure of its financial information, preparing the quarterly and yearly financial reports.
- 2) Ensure that the company has adequate and efficient internal control systems.
- 3) Ensure that the company follows all relevant regulations and laws.
- 4) Select and propose the auditor for the company including consider auditing fee.



- 5) Oversee and disclose the company information that might be conflict of interest or related transaction.
- 6) Oversee all matters the assigned by the Board of Directors by an acceptance of Audit committee.
- 7) Audit Committee should report its activities to the Board of Directors on the regular basis.

Board of Audit Committees' Meetings

In 2008, Board of Audit Committees' meetings have been occurred 5 times as the following attendance:

Name	Position	Attending Meeting / Total Meeting (Times)
1. General Naruedol Dejpradiyuth	Chairman of Audit Committee	5/5
2. Mr. Surapong Churangsarit	Audit Committee	4/5
3. Asst.Prof.Dr. Apicha Boonpattarakan	Audit Committee	5/5

Executive committee

December 31, 2008 all 5 Executive Committees consist of following:

- | | | |
|-------------------|----------------|-------------------------|
| 1. Miss Angkakarn | Tantiviroon | Chief Executive Officer |
| 2. Mr. Somkiat | Vongsarojana | Executive Committee |
| 3. Mr. Songdech | Atimethin | Executive Committee |
| 4. Mr. Ream | Saijam | Executive Committee |
| 5. Mr. Teera | Phoncharoensuk | Executive Committee |

Authorities and responsibilities of Executive Committee

Board of Directors' meeting no. 6/2008 held on August 14, 2008 has resolved to adjusted the authorities and responsibilities of Executive committee to manage by efficiency, as detailed in the following.

- 1) Empower to decide the significant operations by specified scope of works, purpose, discipline, policy, type or size of duties within their authorities including govern general operation, production, customer's relation and must responsible to Board of Directors.
- 2) Consider and approve procurement and purchasing, business investment including purchasing or selling company's fixed assets. The Executive Committee must propose to Board of Directors for considering and approval if such matters beyond approval authority.
- 3) Have authority approval to purchase and sell raw material and/or finished goods and/or components which is normal business transaction not over 30,000 tons.
- 4) Have authority approval of expense for normal business transaction.



- 5) Empower to act as the company representative with other person for any transaction which is benefit to the company.
- 6) Consider company's fund raising and propose to Board of Directors.
- 7) Assign and approve all counselors for the company.
- 8) Manage all administrative matters.
- 9) Consider and approve each department's operation plan and approve any requisition beyond their authorities.

For the purpose, the Executive Committee may authorize each Executive Committee, if any, to conduct any activities within the specified scope of work, duties and responsibilities of the Executive Committee. Therefore, the authorized persons have no authority to approve any transaction which himself or any person who will be beneficiary or conflict of interest to the company or subsidiaries. All this matter must pass the approval of the Board of Director's meeting and/or the shareholder's meeting. Except the matter that is a normal company's business or the matter that already approved to ensure compliance with the securities and exchange law, regulations of the Exchange or laws. (Definition of "The person who may has conflict" means according to the announcement of Securities and Exchange Commission)

Establishment of Authority Approval

Executive Committee has authority to approve purchasing and procedure under the scope as specified in Regulations of Executive Committee's Authority which details as following.

1. Executive Committee has authority approval to purchase raw material and/or finished goods and/or which is normal business transaction not over 1,200 million baht per transaction, and can approve to purchase and sell assets including normal business transaction i.e. operating expense and selling and administration expense not over 50 million baht per transaction. In case of beyond authorized limit, must propose to Board of Directors for approval.
2. Chief Executive Officer has authority approval to purchase raw material and/or finished goods and/or which is normal business transaction not over 200 million baht per transaction, and can approve to purchase and sell assets including normal business transaction i.e. operating expense and selling and administration expense not over 20 million baht per transaction. In case of beyond authorized limit, must propose to the Executive Committee for approval.
3. Managing Director has authority approval to purchase raw material and/or finished goods and/or which is normal business transaction within approval limit by Board of Directors, and can approve to purchase and sell assets including normal business transaction i.e. operating expense and selling and administration expense not over 0.5 million baht per transaction. In case of beyond authorized limit, must propose to Chief Executive Officer for approval.



Authorities and responsibilities of Chief Executive Officer

Board of Directors' meeting no. 6/2008 held on August 14, 2008 has resolved to adjusted the authorities and responsibilities of Chief Executive Officer for efficiency management, as detailed in the following.

- 1) Oversee all managerial matters.
- 2) Ensure that all company plans and managements reach the company's policy and the approved budget and/or the company's Executive committee.
- 3) Have authority and delegate to representative approve to purchase and employ for company's benefit. Such approval to purchase raw material and/or finished goods and/or which is normal business transaction not over 200 million baht per transaction and can approve to purchase and sell assets include expenses which is normal business transaction i.e. operating expense, selling and administration expense not over 20 million baht per transaction. In case of beyond the budget or authorized limit, must propose to the Executive Committee for approval.
- 4) Issuing order, regulation, announcement and report that will make the company reach their policy and benefit to the company.
- 5) Empower to act as the company representative with other person for any transaction which is benefit to the company.
- 6) Assign and approve all counselors for the company.
- 7) Be the authorized person who in charge in manage the company to reach their objective, policy, rules and regulation, and also meet the Board of Director's minute of meeting.

However, this authorization of Director/Chief Executive Officer or other authorized person, are excluded the approval of the matter that will be conflict of interest to the company or subsidiary. All this matter must pass the approval of the Board of Director's meeting and/or the shareholder's meeting. Except the matter that is a normal company's business or the matter that already approved to ensure compliance with the securities and exchange law, regulations of the exchange or laws.

Authorities and responsibilities of Managing Director

Board of Directors' meeting no. 6/2008 held on August 14, 2008 has resolved to adjust the authorities and responsibilities of Managing Director to manage by efficiency, as detailed in the following.

- 1) Oversee all managerial matters.
- 2) Ensure that all company plans and managements reach the company's policy and the approved budget and/or the company's Executive committee.



- 3) Have authority and delegate to representative approve to purchase and employ for company's benefit. It is approval to purchase and sell raw material and/or finished goods and/or which is normal business transaction within approval limit by Board of Directors and can approve to purchase and sell assets include expenses which is normal business transaction i.e. operating expense and selling and administration expense not over 0.5 million baht per transaction. In case of beyond the budget or authorized limit, must propose to the Chief Executive Officer for approval.
- 4) Issuing order, regulation, announcement and report that will make the company reach their policy and benefit to the company.
- 5) Empower to act as the company representative with other person for any transaction which is benefit to the company.
- 6) Assign and approve all counselors for the company.
- 7) Be the authorized person who in charge in manage the company to reach their objective, policy, rules and regulation, and also meet the Board of Director's minute of meeting.

However, this authorization of Managing Director or other authorized person, are excluded the approval of the matter that will be conflict of interest to the company or subsidiary. All this matter must pass the approval of the Board of Director's meeting and/or the shareholder's meeting. Except the matter that is a normal company's business or the matter that already approved to ensure compliance with the securities and exchange law, regulations of the exchange or laws.

Nomination of Directors

Although there is no Nominating Committee, the Board of Directors will be the one who assign by delicate selection according to Public company law Act #68 B.E. 2535 and according to the announcement of Stock market Board of Director. Moreover, the selection stressed in experiences, knowledges and all essential abilities. Also all the nominated names are pass the shareholder's meeting.

Appointment of Directors and End of Directorship

1. Board of Directors is appointed by major votes of shareholders' meeting with the following principles and procedures:
 - 1.1 Shareholder's vote equal to one share per one vote.
 - 1.2 Each Shareholder shall use all existing votes to elect one person or several persons to be a director, but the votes cannot be divided to any person whatsoever and however.
 - 1.3 The one who got the highest vote will be selected as the Board of Director respectively. If there is an equal vote, the President will be the one who assign.



2. In every ordinary annual meeting, the directors shall leave the positions for at least one-third of total Directors. If the number of directors cannot be divided into three portions, the number of directors to retire shall be the nearest number of one-third portion.

The directors retiring from the positions in the first year and the second year after registering the company, shall draw lots to know who will retire. In the subsequent years, the director who is in the position for the longest time, will retire from the position.

The directors retiring from the positions may be elected to the positions.

3. Other than retiring from the positions according to the schedule, the directors may retire from the position in case of:

3.1 Death

3.2 Resigning from the company

3.3 Lacking of qualifications or having any prohibited nature under the public limited company law.

3.4 The shareholders' meeting has resolution for the directors to retire from position.

3.5 The court's order to retire from position.

4. In case the position of the director is vacant because of other causes other than retiring according to the rotation, the board will choose a person having qualifications and having no prohibited nature under the public limited company law, to be substitute director in the next board meeting, except the period of the directors was less than two months.

The persons who is the substitute director, will be in the position of directors only for the remaining period of the director that he/she is the substitute for that director.

Nomination of Audit Committee

Board of Directors or Annual General Shareholders' Meeting nominate Audit Committee which consisting 3-5 members by selecting from any members of Board of Directors and one of the selected must have adequate expertise and experience to review creditability of the financial reports.

Nomination of Executive Committee

Board of Directors Nominate Executive Committee which consisting 3-5 members by selecting from any Director or employee who have experience and not being member of Audit Committee. Executive Committee has duty to manage all administrative matters and directly responsible to Board of Directors.



Management

As at 31 December 2008, the Management consists of 5 members, as follows:

1. Miss Angkakarn	Tantiviroon	Chief Executive Officer
2. Mr. Somkiat	Vongsarojana	Managing Director/ Administrative / HR Director (Deputy)
3. Mr. Songdech	Atimethin	Sales Director
4. Mr. Ream	Saijam	Chief Financial Officer/ Finance Manager (Deputy)
5. Mr. Teera	Phoncharoensuk	Production Director

(Details of Director and Management appear in Appendix 1)

Company Secretary

Board of Directors' meeting no. 1/2008 held on February 1, 2008 has resolved to appointed Miss Nongluck Sarochsuwan, to be Company Secretary to support in practice Board of Directors and the Company's duty pursuant to the relevant laws and regulations.

Director and Management Remuneration

1. Monetary Remuneration

Directors Remuneration

Annual General Shareholders' Meeting 2008 on April 30, 2008 has resolved to fix the remuneration for Board of Directors for year 2008 i.e. remuneration, Bonus on operation as follows:

1) Remuneration of Board of Directors' meeting as follows.

Chairman	20,000 Baht / time
Directors	10,000 Baht / time

Such remuneration will not be paid to directors who could not attend the meeting.

2) Bonus on operation for 2008 at the rate 10% of dividend paid in 2008 but not excess 5 Million Baht.

Director who is managements will received salary as remuneration.

3) Remuneration for Sub-committee i.e. Audit Committee, directors who have been nominated as member of Sub-committee will received additional remuneration on meeting as follows.

Chairman of Audit Committee	20,000 Baht / time
Audit Committee	10,000 Baht / time



Thus, Directors' remuneration is considered from Company's performance, responsibility of the Board and compared to the remuneration of similar business in the same and similar size business.

In 2008 the Company has 8 Directors which 3 of Directors are Management. For accounting period of December 31, 2008, the company has paid remuneration to each director as follows:

Name	Position	Remuneration ¹⁾ (Baht)
1. General Naruedol Dejpradiyuth	Chairman / Chairman of Audit Committee	280,000
2. Mrs. Phimsiri Keeratithiansiri	Director	90,000
3. Mr. Rittirong Intarajinda	Director	80,000
4. Miss Angkakarn Tantiviroon ²⁾	Director	-
5. Mr. Somkiat Vongsarojana ²⁾	Director	-
6. Mr. Teera Phoncharoensuk ²⁾	Director	-
7. Mr. Surapong Churangsarit	Director / Audit Committee	120,000
8. Asst.Prof.Dr.Apicha Boonpattarakan	Director / Audit Committee	130,000
Total		700,000

Remark 1) Remuneration paid upon joining meeting of each director.

2) Director who is managements will received salary as remuneration.

Managements Remuneration

In 2008 the company has 5 Management for accounting period of December 31, 2008, the company has paid remuneration to Managements as follows:

Total Managements Remuneration

Type of Remuneration	Amount (Baht)
Salary	11,354,250.00
Provident Fund	79,005.00
Life Insurance Expense	300,374.81
Total	11,733,629.81

Remark - Only first 4 Managements starting from Chief Executive Officer who is top Management and Management who hold the position in equal level of Management No. 4.



2. Other remuneration

Other remuneration of the company is Provident Fund which established on May 1, 2006 in the rate of 2% of their salary, beginning on May 2006 and pay life insurance expense to Managements as details in the table above.

Policy and procedure to monitor the management using inside information

The company set up policy and procedure to monitor directors, management who using inside information before disclosing to the public for personal benefit including trading company's securities, as follow:

- Inform all directors and managements regarding their duties in preparing and disclosing reports of shareholding and any shareholding by their spouses and minor children to the SEC under the rules and procedures specified in Section 59 and the punishment in section 275 of the SEC Act B.E 2535.
- The company set up that management reports the changing securities holding in the company to the SEC under the rules and procedures specified in Section 59 of the SEC Act B.E 2535 and deliver such reports to the company on the same date which delivered to the SEC.
- The company has circulated to the managements that the managements who be informed significant inside information which effected to changing of securities price, must be forbidden to the trade company's securities for one month prior such financial statement or inside information disclose to the public and be forbidden to disclose such significant inside information to other person.

Given this, should anybody in the company employ inside information for personal benefit or disclose to the others which cause damage to the company, the company will consider the appropriate punishment by verbal notation, letter notation, privation or termination as the case may be.

Personnel

As of December 31, 2008, the Company has a total of 135 staff (exclude 5 Managements). The Company compensated the employees who are not Management for a total of 27.45 Million Baht in consists of salary and provident fund.

Labor dispute for last 3 years

- No -



Human Resource Development Policy

The Company has set the training program for employee which divided into 2 levels as follows:

1. Operation Level Focus on working knowledge, security in workplace, encourage to have more discipline and develop positive thinking toward organization by giving an opportunity for employee to express idea and solving problem within function.
2. Command Level Focus on management, technical and modern management. The company has conducted the training program for internal and external.

Therefore, in 2008 the company has conducted internal and external training program to improve working skill, knowledge, develop attitude of positive thinking toward organization for both operation level and command level which consists of 16 internal training programs and 31 external training programs which total numbers of 107 participants.

The company has the policy to appoint or promote employee in appropriate position every year for employee who has ability and capability according to development plan and career path. The company also supports the employee for further study which the employee can indulgent working time in appropriate to studying program.

The company has encouraged director and chief executive director to participate in Thai Institute of Directors (IOD) and other programs to develop knowledge and understand of role and ability on being a director and management team.



The table shows the numbers of employee for each division in December 31, 2008.

Division	Employee amount (person)
Purchase	3
Human Resource & Administration	12
Sale	16
Production	46
Engineering	1
Warehouse	36
Accounting	7
Finance	4
Internal Audit	1
Law	1
Information Technology	2
Logistic	2
C.E.O. Organization	4
Total	135

Remark: Employee amount exclude Managements



Good Corporate Governance

Following to the Code of Best Practices policy, the company accept such principle as company's operation guidelines which is beneficial to the operation and supporting management efficiency and transparency and create a confidence of shareholders, investors and all concerned parties. The company nominates Secretary to the company as Investor Relation. Currently, the company has practiced according to such principles as following :

1. Principle and policy of good corporate governance

- 1.1 The company set up explicit business operation which is equitable treat to shareholders and all shareholders.
- 1.2 Board of Directors and staffs will manage and cooperate with efficiency and careful for maximize benefits to the company and shareholders.
- 1.3 Operation will be process with transparency, provable and sufficient, on time and equitable information disclosure to all concerned parties.
- 1.4 Risk management has been controlled appropriately and sufficient for decision.
- 1.5 Focusing on ethics for duty operating which will not be create any hazardous to all shareholders.

2. Shareholders' Rights

All information must be generally disclosed to all shareholders equally. In every shareholders' meeting, the company has strictly follow the public company regulations such as delivery of invitation letter along with meeting agendas to every shareholder prior to the meeting date and advertise to the public according to Articles of Association of the company. The meeting has be taken in a convenience location. During the meeting, all shareholders have an equal right to express their opinion and ask questions for clarification within an appropriate time. Record of the meeting is prepared in a written report which includes all questions, clarification and opinions expressed at the meeting.

In order to following Good Corporate Governance Practice relevant to the rights of shareholders and equitable treatment of shareholders, the Company is providing the opportunity for the shareholders to propose matter to be included as an agenda, as well as propose qualified candidate to be nominated as the Company's Director ahead of the Annual General Meeting of Shareholders for the year 2009, starting from October 21, 2008 to December 31, 2008. The detail guidelines and procedure have been disclosed in the Company's website at www.richasiasteel.com.

3. Stakeholders' Rights

The company highlights the importance and recognizes each stakeholder's rights which are factor to create wealth, jobs and financial stability of company. Therefore, except duties and responsibility to shareholders, Board of Directors also recognizes to equally treat the right of all parties concerned on fair basis as following:



Staffs	: equitable treatment and reasonable benefits to all staff including arrange working environment in good quality.
Traders	: fair treatment and follow terms and conditions stated in agreement and develop business relationship.
Customers	: to main production quality control, standard of service, not disclose customer's Secret and follow fair trade condition i.e. pricing, terms of goods return, quality and safety of goods etc.
Competitors	: avoid unfair competition, and practise business ethics.
Creditors	: follow payment terms.
Community/ Social	: Control company's operation which will be effected to community environment and social including follow the related law and/or regulation.

4. Shareholders' Meeting

The Board of Directors recognized the importance of shareholder's meetings which is basic rights of the shareholders. The meetings shall be organized and run according to the Company's regulations, Public Limited Company Act B.E. 2535 and SET rules and announcements or regulations. The Board shall encourage an equal treatment for all shareholders with transparency and simplified handing procedures and facilitate shareholders to exercise their rights to attend meetings and to obtain the Company's data and information prior to the sessions. Equal opportunities and time allocation shall be provided for all shareholders to express their opinions and raise any questions during the meeting as per the proposed agenda and issues. The minutes shall be recorded accurately for shareholders' follow-up and examination. As a half of board of directors, at least one of audit committee, auditor and other assistance attend to shareholder's meeting which is set up in appropriated date and location for all parties including shareholders to attend a shareholder's meeting.

In 2008, the Company held the Annual General Meeting of Shareholders on April 30, 2008 and the Extraordinary General Meeting of the Shareholders once on June 26, 2008. The Company has adjusted and developed the arrangement formality of each Shareholders' Meeting in order to set standard and comply with the AGM checklist which is evaluated by Thai Investors Association, Thai Listed Companies Association and SEC. The Company set up formality for AGM as follows:

1. Disclosing adequate information for shareholders' decision making, disseminating to them in advance information and an invitation letter to the meeting as legally required. Also, the meeting information is published in advance on www.richasiasteel.com and announces these informations to SET for the shareholders to study before the meeting.

2. Facilitating shareholders and their proxy who attend the meeting by using software system in registration in order to make its more convenience and faster and providing card for voting for each set of



agenda. For agenda of the election for director, company provided card for voting separated by individual for shareholder to be able to elect director individually. Furthermore, The Company announced to all shareholders in the meeting how to give their votes, how to count the votes and also the discipline in the meeting before start the meeting.

3. Strictly conducting the meeting as per the set agenda and providing a question – answer session for clarification and fairness to shareholders and all parties concerned. Explicitly disclosing voting results of each agenda.

4. Having shareholders meeting session tape-recorded, taking main contents of enquiries in the minutes for future references and also to enable absentee shareholders to catch up with the relevant details. The Company dispatch the minutes to SET and published in www.richasiasteel.com within 14 days after the meeting and announce these information to SET.

5. Overseeing and conducting the shareholders meeting in accordance with the Company's regulations, the Public Limited Company Act B.E. 2535, SEC and SET announcements or regulations.

5. Leadership and Vision

Board of Directors provide personal experience, knowledge and skill for setting an operating plan and target, and also follows up to ensure the company's successful operation including define and clearly segregated duty and responsibility between Board of Directors, Management team, employees and other related parties. Board of Directors also define Audit Committee to oversee internal audit department to assess the adequacy of internal control system and appropriated risk management for maximized benefits to the company.

6. Conflict of Interest

Although, some directors, management team and employees are the company's shareholders who have not right to vote conflicted transaction. All related parties transaction must be clearly informed to a public and disclosed in the annual report (Form 56-2) and annual registration statement (Form 56-1). In case, the changing amount of share, directors and top management must report immediately to SEC and SET, following the section 59 in Stock Exchange Regulation. Before one month of announcing a financial statement, the directors and top management could not trade their shares.

7. Business Ethics

The ethics principle for directors, management team and all employees must conducted with transparency, honesty and morality which are practiced for operating business. Such ethics will improve the high standard of business practice and the shareholders' confidence. Code of Ethics for best practice as follows

Best practices on operation

Board of Directors, management and all staff should practice as following:



1. Action with loyalty, transparency and fair and adequate disclosure to ensure that any decision making will be optimized benefits to concerned parties.
2. Action on most carefully and ability to maintain standard of works and always develop performance.
3. Do not use company's inside information or secret for own benefit and/or related person.
4. Follow the related laws and regulations and cooperate for auditing by internal audit and external party.
5. Develop company's information for outsider understanding.

Best practise to beneficiaries

Board of Directors, managements and all staffs will practise to the beneficiaries i.e. Shareholders, Creditors, Customers, Traders, Competitors, Employees, Community and Social as follows:

1. Shareholders and Creditors; follow code of best practise and disclose adequate information i.e. accounting practises, Usage of internal information, conflict of interest to ensure that any decision making will be optimized benefit to all concerned parties.
2. Customers: to main production quality control, standard of service, not disclose customer's secret and follow fair trade condition i.e. pricing, terms of goods return, quality and safety of goods etc.
3. Traders: fair treatment and follow terms and conditions stated in agreement and develop business relationship.
4. Competitors: follow the good competition, avoid unfair competition and without truth including avoiding for access to customers' secret.
6. Employees : equitable treatment and reasonable benefits to all staff including arrange working environment in good quality. Enhance knowledge and performance and non-perform any illegal matters.
7. Community/Social : Control company's operation which will be effected to community environment and social including follow the related law and/or regulation. Including support community's activities to create cooperation and social's responsibility.

8. Balance of Power for Non-Executive Directors and Managements

The board of director consists of 8 members as the following:

- 3 Executive Directors
- 2 Non – Executive Directors
- 3 Independent Directors

With the knowledge, experience and skill of all directors are used to conduct a managing policy for providing the best benefit to the company. All 3 independent directors represent 37.50% of total



directors, showing good balance of power. For the positioning of new independent directors must be voted in shareholders' meetings, except the independent director resigns before the end of period.

9. Aggregation and Segregation of Positions

Regarding the president and Managing Director is not the same person who may be represented the same group of major shareholders, the independent directors would be able for balancing the power in the directors' meeting.

10. Directors and Management's Remuneration

The meeting remuneration for Directors being paid in the average range and can be compared to others in the same industry, which considering to the adequacy of Director's duty and responsibility. For the executive directors who participate in management of the company, have received a salary and bonus, in the amount can be compared in average range with others company. (The details of Directors and Management's remuneration are disclosed in the topic "Director and Management Remuneration" in the Management chapter.)

11. Board of Directors' Meetings

At least one meeting within three months has been requested. All subjects and the meet's agenda must send to all directors at least 7 days in advance. The meet's secretary must prepare correctly and keep all meetings' record. (The details of Directors and Management's remuneration are disclosed in the topic "Board of Directors' Meetings" in the Management chapter.)

12. Committee

Board of Directors will appoint sub committees for a good corporate governance which at least, the audit committee must be set up for the internal audit control with a period of 3 years and consists of 3 independent directors minimum. Board of Directors may appoint remuneration committee and nomination committee or other committee which is appropriate for verifying transparency to Board of Directors (The details of Committee are disclosed in the topic "Audit Committee" and "Executive Committee" in the Management chapter)

13. Internal Control and Internal Audit

The company has conducted an internal audit department for viewing and checking the financial and accounting transaction to follow the principle of internal control. The internal control report must be submitted to the audit committee whom would review compliance control and risks management and the unusual transaction of the company.

14. Statement from the Board of Directors

The board of directors is responsible for providing shareholders, investors and other related parties with an annual summary report, showing all company's information and the financial statement report.



15. Investor Relations

The board of directors recognizes the important of providing accurate and disclose of information regarding its financial and operational performance to shareholders, investors, and other related parties. The acceptant and interested of investor along with public hearing has been supported the company's representation.



Internal Audit System

Board of Director's Meeting no 1/2008 on February 27, 2009 which all 3 Audit Committees were in the meeting. They evaluated the adequacy of Internal Audit System of Rich Asia Steel PLC. in 5 areas of Internal Audit System which are organization and environment, risk management, controlling management performance, information system and follow up system. The meeting has an opinion that the company has adequate internal control system as follow:

1. Organization and Environment

The company has set up appropriate business goals, explicit and measurable investment plan to be operation criterion for employees. The operation goals are determined by assessment of possibility expectation which being careful consideration by Board of Directors prior to determine targets including monthly performance evaluation. The company has concise structured organization which can be manage effectively and also have written policy, regulations and procedure of work for operation.

2. Risk Management

The Management all time assess business and economic circumstances and analyze internal and external risk factors, opportunity and possible effects to the company in order to define measurement to reduce risk levels. Providing that there also be risk assessment by internal audit department, who presented to Audit Committee and Management for seeking the methodology of preventive and reduction risk including follow up the assessment review and information update periodically.

3. Controlling Management Performance

The company has clearly and in written set authority and approval limits for each level of management and divide important responsibilities separately for instance approval authority, accounting records and information, and assets controlling. For transactions with major shareholders, directors or Managements and related company are based on normal business transactions and treated similar to other parties which be optimized benefits to the company. The Audit Committee has considered such transactions quarterly and assigned internal auditor to verify such transactions and report to the Audit Committee including company's disclosure of details and conditions of such transaction in Notes to financial statements which reviewed by the external auditor. The company has arranged supervisors meeting in order to follow up the operation result thru Key Performance Indicator, analyze and consult inter department which would be a channel to exchange information and efficiency of controlling.



4. Information System & Communication

The company realized on information technology systems and focused to develop organization's network for efficient management which can be served information storage, the efficient and real time reporting. The company has contacted consultants to study and analyze workflow system for information systems assessment including propose and select the most appropriate information system which result to Enterprise Resources Planning (ERP) selection for replacement previous system. This ERP system can be served current and future necessity of the company and there are new functions that can be developed continually.

5. Follow up System

The company provides meeting between the Audit Committee and top executive quarterly. In 2008 there are five times meeting to summarize internal audit report and monitoring report with Management.

The company has established the Internal Audit Department on 3 October 2005 to assess, analyze risk factors and provide feedback of internal control system which is including the financial audit, operation audit, compliance audit, reviewing related transactions, and arrange audit report presented to the Audit Committee. The recommendation of the Audit Committee regarding credit term approval is in accordance with observation and recommendation of external auditor.

Board of Directors conclude that the company conform good corporate governance and adequate Internal control system according to SEC'S evaluation form especially the internal control of related transaction with major shareholders, directors, management and related to such person and carried out adequate information disclosure.



Related Parties Transactions

Company / People	Relationship	Transaction Account	2008 (Million Baht)	2007 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
<u>Siam Ferro Industry Co., Ltd (SFI)</u>	- Miss Angkakarn Tantiviroon, director and shareholder of the Company, is the plan Administrator of Siam Ferro Industry Co., Ltd. since 2003. In addition, Miss Angkakarn Tantiviroon used to be a director and a shareholder of Maximum Holding Co., Ltd. (the former name is "Rich Asia Holding Co., Ltd"), as shareholder of Siam Ferro Industry Co., Ltd. (Miss Angkakarn Tantiviroon and Mrs. Phimsiri Keeratithiansiri, director and shareholder of the Company, used to held 15% and 15% in Maximum Holding Co., Ltd. (the former name is "Rich Asia Holding Co., Ltd"), which held 30% in Siam Ferro Industry Co., Ltd., At present, Mrs. Phimsiri Keeratithiansiri and Miss Angkakarn Tantiviroon have already sold their entire stake in Maximum Holding Co., Ltd. to the third party in January 2006.)	1. Sales 2. Purchase 3. Steel pipe production expense 4. Account payable	0.096 - 14.469 0.342	0.026 0.028 22.389 0.979	- The 1st item is sale of steel products to SFI for factory renovation which comparison the sale to unrelated parties, the terms and condition of sale has performed in normal way of business. - The 2 nd items (no transaction in 2008) occurred in 2007 because the number of products are not sufficient to deliver to customers and if inserting production order will result to time losses and higher costs. The company has purchase from the SFI. which by the terms of trade and prices based on the normal trade compared to unrelated parties. Currently SFI has only operated for production service. - The expense of production service in 3rd item and the payment of Account Payable and Notes Payable of the 4th item occurred from the policy of the company to maximize its production efficiency. This makes the company has more capacity in production and the varieties of goods in size, quantity, and quality. This afore said contracts' terms and conditions can be compared with contracts of Inter Metal Tube Alliance (Thailand) Co., Ltd. made with non-related parties. (See also the details in the section of policy and the future related parties' transactions tendency of the company.)



Company / People	Relationship	Transaction Account	2008 (Million Baht)	2007 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
<u>Siam Ferro Industry Co., Ltd (SFI)</u>		5. Others expense (such as transportation fee, maintenance service fee and others)	3.519	5.035	- Other expenses in Item No. 5 and accrued expenses in item 6 occurred by the company has insufficient of trucks for delivery, so the company contact Siam Ferro Industries to pick up and deliver SFI also has vehicle maintenance department their own, The expenses charged can be compared with non-related parties. <u>Audit Committee's Opinion</u> These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions
		6. Accrued expense	0.064	0.133	
			-		



Company / People	Relationship	Transaction Account	2008 (Million Baht)	2007 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
<u>A.T. Steel Co., Ltd.</u>	Miss Angkarn Tantiviroon, director and shareholder of the Company and her family hold 10.00% and 90.00% respectively in A.T. Steel Co., Ltd.	1.Rental and utility	1.177	1.187	<p>- The 1st item occurred due to the company lease land and building for being distribution center to distribute products in eastern Bangkok area, was the renewed property rental agreement of land, building and equipment. Currently the company pay a lower rental fee at the rate of 13 Baht/sq.m./month for area 7,700 sq.m. compared to rental rate of other properties (new warehouse 2-3 storey) in the same area which is 80-100 Baht/sq.m./month for space of 750-800 sq.m. and also there are some difficulties of finding other properties with a large space same as the rental one. For the public utility expense from A.T. Steel Co., Ltd. was the water supply expense that A.T. Steel advance paid and billed such expense to the company.</p> <p><u>Audit Committee's Opinion</u></p> <p>These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions</p>



Company / People	Relationship	Transaction Account	2008 (Million Baht)	2007 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
<u>G.T. Steel Works Co., Ltd.</u>	Miss Angkarn Tantiviroon, director and shareholder of the Company, and family held 3.50% and 96.34%, respectively in G.T. Steel Work Co., Ltd.	1. Sales 2. Account receivable 3. Maintenance service fee	0.298 - 0.279	0.217 0.024 0.981	<p>- The goods sale in the 1st item, account receivable in 2nd item (no transaction in 2008) of G.T. Steel Works Co., Ltd. was a transaction with normal trading. Terms and conditions of business, compared with non-related customers.</p> <p>- The maintenance service fee in 3th item, the company has hired G.T. Steel Works Co., Ltd. to repair equipments and the machines at the company's factory due to G.T. Steel Works Co., Ltd. locate near to the company factory which can save time for maintenance equipments and machines. Most of service charges were only cost of equipments.</p> <p><u>Audit Committee's Opinion</u></p> <p>These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions.</p>



Company / People	Relationship	Transaction Account	2008 (Million Baht)	2007 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
Genius Tech Trading Co., Ltd.	G.T. Steel Work Co., Ltd. and brother in law of Miss Angkarn Tantiviroon, director and shareholder of the Company, held 40.00% and 10.00%, respectively in Genius Tech Trading Co., Ltd.	1. Sales of billets 2. Purchase round bars 3. Account payable 4. Maintenance service fee	- 34.667 - 0.430	157.34 -- 21.03 0.035 0.362	<ul style="list-style-type: none"> - The sale in 1st item (no transaction in 2008) of Genius Tech Trading Co., Ltd. was the order of billets that is raw material for produce steel bars, which is their core business. The transaction was normal terms and conditions of business which can be, compared with non-related parties. - The goods buying in 2nd item, Accounts and Notes payable in 3rd item (no transaction in 2008) occurred by ordering round bars from Genius Tech Trading Co., Ltd. because the number of products were not sufficient to deliver to customers in time. The transaction was normal terms and conditions of business which can be compared with non-related parties. - The maintenance charge in the 4th item occurred by the company bought some spare parts from Genius Tech Trading including their maintenance service in order to facilitate and time saving compared to buying from other store. <p><u>Audit Committee's Opinion</u></p> <p>These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions.</p>



Company / People	Relationship	Transaction Account	2008 (Million Baht)	2007 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
<u>PAP Exim Co., Ltd</u>	Mr.Songdech Atimethin's, an executive management of the Company, brother and his brother's family of are directors and hold 96.80% in PAP Exim Co., Ltd.	1. Sales of steel pipes 2. Account receivable and Advanced cheque	54.343 0.230	27.407 -	- The goods sale in 1st, Account receivable and advance cheque in 2nd item, PAP Exim Co., Ltd. was a customer which was order steel pipe from the company to sell normally. The transaction was normal terms and conditions of business which can be compared with non-related parties. <u>Audit Committee's Opinion</u> These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions.



Company / People	Relationship	Transaction Account	2008 (Million Baht)	2007 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
<u>Thanasap Pisarn Co., Ltd.</u>	Young brother and young brother's wife of Mr. Songdech Atimethin, a member of management of the Company, is a director and holding 99.00% in Tanasup Paisarn Co., Ltd.	1.Account receivable and Advanced cheque	9.90	9.90	<ul style="list-style-type: none"> - Accounts receivable and Advanced cheque in 1st item was transaction of selling steel pipes in 2003. - The Court has ordered on Red case No. 655/2549 and 2214/2549 to Thanasap Pisarn to pay debt to company - From investigation, Thanasap Pisarn, there were no any asset to be forced. - Currently, the Company was fully set allowance for doubtful account. <p><u>Audit Committee's Opinion</u></p> <p>These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions.</p>
<u>Mahalap Metal Co., Ltd.</u>	Young brother and young brother's family of Mr. Songdech Atimethin, a member of management of the Company, is a director and holding 99.99% in Mahalap Metal Co., Ltd.	1. Sales of steel pipes 2. Account receivable and Advance cheque	45.944 0.708	13.457 0.088	<ul style="list-style-type: none"> - The sale in 1st item and Account receivable and Advanced cheque in 2nd item that Mahalap Metal Co. Ltd. was a customer which was order steel pipe from the company to sell normally. The transaction was normal terms and conditions of business which can be compared with non-related parties. <p><u>Audit Committee's Opinion</u></p> <p>These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions.</p>



Company / People	Relationship	Transaction Account	2008 (Million Baht)	2007 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
Chaisupon Co., Ltd.	Young brother and young brother's family of Mr. Songdech Atimethin, a member of management of the Company, is a director and holding 99.99% in Chaisupon Co., Ltd.	1. Sales of steel pipes 2. Account receivable and Advanced cheque	15.416 0.614	8.655 ---	<p>- The sale in 1st item and Account receivable and Advanced cheque in 2nd item. Chaisupon Co., Ltd. was a customer who purchase steel pipes from the company to sell normally. The transaction was normal terms and conditions of business which can be compared with non-related parties.</p> <p><u>Audit Committee's Opinion</u></p> <p>These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions.</p>
<u>Hansawad Ltd., Part.</u>	Mr. Songdech Atimethin's family, a member of management of the Company, is a director and holding 100.00% in Hansawad Ltd., Part.	1. Sales of steel pipes 2. Account receivable and Advance cheque	3.316 0.043	2.055 --	<p>- The sale in 1st item and account receivable and advanced cheque in 2nd item. Hansawad Co., Ltd. was a customer who purchase steel pipes from the company to sell normally. The transaction was normal terms and conditions of business which can be compared with non-related parties.</p> <p><u>Audit Committee's Opinion</u></p> <p>These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions.</p>



Company / People	Relationship	Transaction Account	2008 (Million Baht)	2007 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
<u>Team Vis Construction Co., Ltd.</u>	Mr.Rittirong Intarajinda, a director of the Company, is a director and holding 87.99% in Team Vis Construction Co., Ltd.	1. Construction Expenses	-	0.790	<p>- The construction expense in 1st item (no transaction in 2008) in 2007 occurred by the former contractor had abandoned their works. The company has to contact Team Vis Construction Co., Ltd. to handle for substitution. Core business of Team Vis Construction Co., Ltd. is the contractor to premium customers i.e. construct royal palace, hotel and large scale building. The transaction was normal terms and conditions of business which can be compared with non-related parties.</p> <p><u>Audit Committee's Opinion</u></p> <p>These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions.</p>



In addition, on 31 December 2008 the company has entered into loan agreement with 3 banks in a private customer amount of Baht 1,354.25 million and have foreign loan amount 5.82 as follow :

- OD	10.00	ml. Baht		
- Short loan	426.00	ml. Baht		
- L/C, T/R	600.00	ml. Baht	and	64 ml. USD
- CBD	630.00	ml. Baht		
- Long term loan	29.25	ml. Baht		
TOTAL	1,695.25	ml. Baht	and	64 ml. USD

All the above amount of loan is secured by the company using the asset in the company fix deposit account, the mortgage of land and building of the company and guaranteed by Miss Angkakarn Tantiviroon, a director and major share holder of the Company, including her own asset as collateral to these banks. (As note to financial statement No. 17)

Company / People	Relationship	Summary Information	Conditions / Reasonably and necessity
1. Ms. Angkakarn Tantiviroon	Director of the company	Miss Angkakarn Tantiviroon guarantee company's credit limit 875 million baht and mortgaged personal land to guarantee company's credit amount of 10 million baht	<ul style="list-style-type: none">- The bank ask Miss Angkakarn Tantiviroon guarantee the loan in the name of Director of the company.- Company's assets mortgage in full value not cover to credit line, so company request director's land and building to be additional collateral without making any contracts and charges.

Audit Committee's Opinion

The transaction was beneficial to the company. There is no charges from the person and company who give assets as collateral.



The measure or step of approval for the related transactions

In present, the company has set the measures and the step of approval for the related transaction up which the advantage of the company will be considered as the most important thing for the consideration to make such transaction and the company also compare such transaction with the transaction to the unrelated parties by prohibiting related executives to participate in the approval of such transactions. The company also allows audit committee to check and have opinion for the suitability of such transactions.

Policy and the tendency of future related transaction**1. Related transaction between the company and the related persons**

1.1 SFI : the company will continuously has transaction with SFI, such as hire of production and hire of goods delivering, under the normal trade terms and conditions which the company has made a three years contract with SFI for the hire of production and hire of goods delivering. The transaction can be compared with the transaction with Inter Metal Tube Alliance (Thailand) Co., Ltd. and the transaction which IMTA produce goods for other person.

1.2 Other companies in the related parties' transaction section: the company will continuously trade with other company by having referable market price.

1.3 Miss Angkakarn Tantiviroon : the secure of loan of the company in the name of director including to the secure of loan for the company by using director's own asset will be carried on.

1.4 A.T. Steel Co.,Ltd. : the company will continuously rent such land in order to use it as warehouse and distribution center in the East-Bangkok. Such rent shall have rental condition and rental rate which comparable to the rent of unrelated persons. Currently, the company extend the duration of rent for another 3 years.

1.5 Miss Angkakarn tantiviroon : debtors who agreed to responsible for the debt in place of a customer in order to compensate loss to the company and shareholders.

2. Policy for future related parties' transactions**2.1 Policy of the future transaction with Siam Ferro Industry Co., Ltd.**

The company will define regulation for steel pipe production service and trade between the company and SFI in order to assure the actual business transactions are reasonably and maximized benefit to the company as follow:

- The accounting department will make a report of every commercial transaction between the company and SFI and pass it to internal audit department to make the comparison of price and conditions report at the end of every quarter of the year in order to submit to audit committee to examine and give opinion for important issues. This report will consist of the trading suitability issue and the reasonable price and conditions for the hire of production issue in compare with



the trade and hire of production done with other person or in compare with self-production and also including practice to conditions which written in the hire of production contract. The data provide in the report will consist of cost of self-production and cost of the hire of production, gross profit (incase of self-production and incase of hire of production), reasons for the arrangement for the hire of production of the goods which can be self-produced, price and conditions for the hire of production, in compare with the hire of production of unrelated parties that hire other manufacturer to produce for them.

- Submit the report of commercial transaction between the company and SFI with the opinion of the audit committee quarterly to the companies' auditor for inspection.
- Submit the report of commercial transaction between the company and SFI with the opinion of the audit committee to the board of directors for inspection.
- The board of directors will disclose the commercial transaction between the company and SFI in the note of the quarterly financial statement and yearly financial statement.
- Make report concerning the opinion of the audit committee about the commercial transactions made with SFI during the year to disclose it in the form 56-1(annual information disclosure) and in the form 56-2 (annual report) of the company
- The change or alteration of the hire of production contract made with SFI, the audit committee will be the one who will give opinion about the suitable of such change or alteration in the significant of the contract and present it before the board of directors to make decision before taking such action.

All together, in the future, if the company has other kind of transaction that related to SFI except the trade, hire of production, and other normal commercial transaction, the audit committee will be the one who gives the opinion about suitability issue of such transactions and present to the board of director for the consideration and making decision before taking further action. The related directors will not have the right to participate to execute such transaction and the board of director will present it to the shareholders' meeting for further consideration.

In the case where the audit committee has no expertise to inspect the related transaction that might happen, the company will ask for the opinion about such related transaction from the companies auditor or independent experts.

2.2 Policy for the future other related parties' transactions

In the future, if the company has the necessity to make the related parties transaction including to the companies that used to relate with the company (presently, no more related to the company as disclosed in the related transaction table) or the company has to make the related transaction with the person who might has the conflict of interest or might has the conflict of interest



in the future, such transaction will be made in case the company has the necessity. The company also has the policy to set any condition according to normal business term and market price which can be compared with the price of non-related parties. The audit committee will be the one who gives opinion about the necessity and suitability of such transaction. In the case where the audit committee has no expertise to inspect the related transaction that might happen, the company will ask for the opinion about such related transaction from the company's auditor or independent experts in order to use such opinion for the consideration of the board of directors or the shareholders depending on the case.

The board of directors will act in accordance with the law concerning the securities and stock exchange also rules, notifications, orders, or the regulations of the Stock Exchange of Thailand including to practice of related transactions and the acquisition or sale of the important assets of the company or its subsidiary in order to make the decision to make such transaction unable to create conflict of interest and create the utmost benefit to all the shareholders. The company will disclose the such related transactions in the annual information disclosure (form 56-1), company's annual report, and notes to financial statements which already inspected by the auditor of the company.

2.3 Policy for the future related parties transaction with Miss Angkarn Tantiviroon

Miss Angkarn Tantiviroon: director of the company shows responsibility by responsible for the debt in place of a customer in order to compensate loss to the company and shareholders. The account receivable agreed for payment of debt by installments of 64 million and Board of Directors Meeting No. 8 / 2008 has unanimously that Ms. Angkarn tantiviroon stop to pay installments to the company after November 2008)



Management's Discussion and Analysis Year 2008

Financial statements

	2006		2007		2008	
	Million Baht	%	Million Baht	%	Million Baht	%
Current Assets						
Cash on hand and at banks	28.52	1.67	32.37	1.56	15.63	0.48
Short term loan to other company	-	-	37.89	1.83	1.55	0.05
Note and account receivables	619.32	36.28	881.56	42.48	779.94	24.03
Inventories	472.50	27.68	441.11	21.26	960.34	29.58
Other current assets	159.64	9.35	111.51	5.37	769.47	23.7
Total current assets	1,279.98	74.98	1,504.44	72.50	2,526.94	77.84
Fixed deposit to bank	207.00	12.13	230.77	11.12	207	6.38
Investment in property	39.70	2.33	9.89	0.48	21.81	0.67
Land building and equipment-net	177.21	10.38	277.70	13.38	287.56	8.86
Deposit Payment for Investment	-	-	-	-	200	6.16
Other assets	3.19	0.19	52.33	2.52	2.88	0.09
Total assets	1,707.08	100.00	2,075.14	100.00	3,246.20	100.00
Short term loans and overdraft	728.19	42.66	1,211.90	58.40	1,590.81	49.01
Note and account payables	182.36	10.68	180.69	8.71	173.51	5.34
Portion of long term loan due within 1 year	2.78	0.16	9	0.43	9	0.28
Other current liabilities	50.77	2.97	42.38	2.04	55.78	1.72
Total current liabilities	964.10	56.48	1,443.97	69.58	1,829.09	56.35
Long term loan	-	-	29.25	1.41	20.25	0.62
Payable under hire-purchased-net	1.41	0.08	-	-	-	-
Total Liabilities	965.51	56.56	1,473.22	70.99	1,849.34	56.97
Registered capital	500.00	29.29	1,000.00	48.19	1,500.00	46.21
Issue and fully paid	500.00	29.29	500.00	19.09	1,000.00	30.81
Premium on shares capital	118.25	6.93	72.29	3.48	571.79	17.61
Retained earnings	123.32	7.22	29.63	1.43	-174.94	-5.39
Total Shareholders' equity	741.57	43.44	601.91	29.01	1,396.85	43.03
Sales	4,332.50	99.70	4,552.82	98.20	4,550.65	97.78
Other income	12.95	0.30	83.55	1.80	103.43	2.22
Total revenues	4,345.45	100.00	4,636.38	100.00	4,654.08	100.00
Cost of goods sold	4,114.11	94.68	4,362.70	94.10	4,305.10	92.50
Loss from Declining in Value of Inventories	-	-	0.86	0.02	257.14	5.53
Selling and administrative expenses	85.60	1.94	102.10	2.20	167.05	3.59
(Doubtful Debt) and Reversal	-	-	180.07	3.88	-2	-0.04
Interest expenses	36.73	0.85	64.31	1.39	131.36	2.82
Corporate tax	28.87	0.66	18.49	0.40	-	-
Net profit	86.49	1.88	-92.14	-1.99	-204.57	-4.40



Statement of Cash Flows

	2006	2007	2008
Cash flows from operating activities			
Net profit	86.48	(92.14)	(204.57)
Adjustment to reconcile net profit to net cash provided from operation			
Depreciation and amortized	21.76	22.61	34.68
Doubtful Debt (Reversal)	-	180.07	(2.00)
Loss on devalue of goods and raw material	(11.41)	0.86	257.14
Amortisation of Prepaid Expenses	-	0.11	2.23
Amortisation of intangible asset	-	0.20	0.34
(Gain)Loss from Unrealized of Investment in Trading	-	11.50	0.31
(Gain)Loss from Sale of Investment in Trading Security	-	35.42	(1.70)
Gain from sale of investment in property	-	(3.73)	-
Gain from sale of property, plant and equipment	-	(0.01)	(7.70)
Loss on exchange rate	1.38	0.26	18.82
Loss on impairment of asset	-	-	5.50
Interest Revenue	-	(15.48)	(21.44)
Interest Expenses	-	60.10	75.74
Amortized interest on hire - purchases	0.94	0.41	0.05
Corporate Income Tax	-	18.49	-
Gain on operating before changed in operating assets and liabilities	99.15	181.55	194.53
Decrease (increase) in operating assets			
Temporary investment	-	(47.70)	0.60
Trade accounts receivable	154.48	(442.30)	103.62
Inventories	(122.87)	33.05	(729.30)
Advance payment - goods	(131.22)	39.85	(599.01)
Account Receivable - Revenue department	-	(12.70)	(54.42)
Other current assets	(8.77)	0.61	(12.30)
Decrease (increase) in operating liabilities			
Trade accounts payable	(297.40)	1.86	(7.182)
Other current liabilities	(134.64)	19.20	21.52
Cash Payment Corporate Income Tax and Withholding Tax	-	(16.57)	(43.12)
Cash Received in Interest Revenue	-	16.93	22.37
Net cash provided from (used in) operating activities	(441.27)	(226.24)	(1,102.69)
Cash flows from investing activities			
Pledged deposit at financial institution	(57.86)	(23.77)	23.77
Non other current asset	(0.08)	(0.42)	(1.27)
Cash Payment for Deposit Payment for Investment	-	-	(200.00)



Purchase of property plant and equipments	(29.59)	(123.22)	(11.93)
Guarantee deposit - land sale	10.00	-	-
Payment for deposit for purchased land and property	-	(50.00)	-
Sale of property, plant and equipment	-	0.01	0.54
Sale of investment property	-	18.55	-
Net cash provided from (used in) investing activities	(79.24)	(178.86)	(188.88)
Cash flows from financing activities			
Bank overdrafts and loan from finance institutions			
- increase (decrease)	350.80	458.94	384.86
Received advances and loan from related parties	-	24.76	(24.77)
Repayment advances and loan from related parties	-	38.25	(9.00)
Cash Payment in Interest Expenses	-	(59.81)	(74.29)
Liabilities under financial lease agreement	(5.31)	(3.19)	(1.46)
premium on share capital	118.25	-	499.50
Cash Received from Increasing Capital	100.00	-	500.00
Dividend paid	(50.00)	(50.00)	-
Net cash provided from (used in) financing activities	513.74	408.95	1,274.84
Net cash on hand and cash equivalents increase (decrease)	(6.78)	3.86	(16.74)
Cash on hand and cash equivalents as at the beginning	35.30	28.51	32.37
Cash on hand and cash equivalents as at the ending	28.52	32.37	15.63

Sales

Sales for the year ended December 31, 2008 amounted to 4,550.65 million baht compared to previous year 4,552.82 million baht decrease for 0.05%. The revenue proportion of structural steel products has been decreased, its sale value was 1,683.51 million baht or 36.22% of total revenues. The products which sale volume decreased are square tube, black steel pipe, rectangular tube, C-Channel and Angle bar. The products which sale volume increased are billet and steel bar.

Company's sale volume in 2008 decreased because of selling quantity has been decreased from 216,343.26 ton in 2007 to 176,179.80 ton in 2008 or decreasing 18.56% which was effected from the severe slow down of domestic and global economy since mid of the year 2008 while domestic selling prices has increased from average selling price of 21,400 baht/ton in 2007 to 25,830 baht/ton in 2008 or increased 20.70 %.

Cost of goods sold

In 2008 the company cost of goods sold was 4,305.10 million baht, or 94.60% of total revenue. Average cost of goods sold in 2008 is lower compared to 2007 which was 4,362.70 million baht or decreased 1.22% due to the increasing rate in purchase price is less than the increasing rate in sale price during 1st quarter to 3rd quarter.

**Selling and administrative expenses**

Selling and administrative expenses in 2008 was 165.05 million baht or 3.63% of total revenue. The proportion of sale and administrative expenses has decreased compared to the selling and administrative expense in 2007 due to the reversal of Doubtful Debt amount 118.06 million Baht which one debtor agree to make a compromised settlement in a court to pay by installments totally amount Baht 64 million.

Gross margin

Company's gross margin in 2008 was -11.59 or -0.25% of total revenue which was decreased from 2007 due to company has declared the loss from declining in value of inventories amount 257.14 million Baht according to Accounting Standards No. 31.

Net profit

In 2008, company stated net loss for 204.57 million Baht equal to -4.40% of total revenue or net loss ratio increased – 122.01% compared to 2007. The company accounted the declining in value of inventories 257.14 million baht which increasing from 2007 amount 256.28 million Baht and interest expense amount 131.36 million Baht increasing from 2007 baht 67.05 million due to during 2008 the company has additional borrowing from financial institution for working capital.

Financial status**Assets**

On December 31, 2008 the total asset was Baht 3,246.20 million increased from Baht 2,075.14 million in 2007 which is increased by inventories from the last year amount Baht 519.23 million, Other Current Assets increase for Baht 657.96 million, accounts and notes receivable amount Baht 881.56 million in 2007 to Baht 779.94 million in 2008, non-current asset comprising of Deposit Payment for Investment increased to Baht 200 million, for this reason, total asset was higher than year 2007.

At the end of 2008, account receivable were Baht 779.94 million and collection period is 67 days longer than year 2007 by the result of credit term extension to the reliable customer.

Company credit term policy is usually assign during 30-60 days, the appropriated credit term of each customer was evaluated and closed monitoring by the analyst team, moreover, company also consider in customer risk diversification.

On December 31, 2008 the inventories was Baht 960.34 million (deducted by Allowance from Declining in Value of Goods Baht 211.55 million) increased by Baht 519.23 million or 117.70%. Although the company still maintain the inventory policy for the purpose of efficiency respond to customer requirement by consider in the movement of raw material price and the demand in production process for



inventory management. However the severe regression of domestic and global economic were effect to the company sale volume which demonstrated finished goods was 94% of total inventories.

Liquidity

As at December 31, 2008, Cash Used from Operating Activities have been reported as Baht 1,102.69 million, the main reasons were increasing of inventories by Baht 729.30 million, increasing of Other Current Assets which comprise of advance payment for goods increased by Baht 599 million and Accounts Receivable - Revenue Department increased by Baht 54.42 million. Cash Used from Investing Activities have been reported as Baht 188.88 million as a result of Cash Payment for Deposit Payment for Investment Baht 200 million, Cash Payment for Purchased of Property, Plant and Equipment increasing by Baht 11.93 million and decreasing of Pledged Deposit at Financial Institution Baht 23.76 million. Cash Provided from Financing Activities Baht 1,274.84 million due to increasing of Short-Term Loans from Financial Institution Baht 384.86 million for the purpose of raw materials payment and decreasing in account payable. Cash Received from Increasing Capital Baht 500 million and Cash Received from Premiums on Share Capital Baht 499.50 million, Long-Term Loans from Financial Institution decreasing by Baht 9 million, Cash Payment in Interest Expenses Baht 74.29 million. At the end of year 2008, company had cash and cash equivalents Baht 15.63 million.

3. Source of Financial Capital

Liabilities

As at December 31, 2008, total liabilities were Baht 1,849.34 million, increasing Baht 376.12 million or 25.53% because increase in Short-Term Loans from Financial Institutions amount Baht 403.68 million whereas accounts payable is slightly decrease for Baht 6.52 million. Long Term Loans from Financial Institutions amount Baht 45 million is currently outstanding for 29.25 million.

Shareholder's equity

As at December 31, 2008, the Authorized Share Capital of the Company is Baht 1,500 million, increased from Baht 1,000 million for 2007, the Issued and Paid-up Share Capital of the Company is Baht 1,000 million, increased from Baht 500 million for 2007. As at the end of 2008, shareholder's equity is Baht 1,396.85 million, increasing Baht 793.93 million for 2007 due to increasing in the Issued and Paid-up Share Capital for Baht 500 million and Premiums on Share Capital increasing for Baht 499.50 million, there is unappropriated retained earnings Baht -174.94 million and no dividend payment in year 2008.

Debt to equity ratio moved from 2.45 times for 2007 to 1.32 times for 2008.

Audit Fee

S.K. ACCOUNTANT SERVICES COMPANY LIMITED is an independent auditor whom doesn't have any relationship with the company. The annual audit fee is Baht 710,000 per year and the financial review is Baht 85,000 per quarter, thus, totally audit fee in 2008 was Baht 965,000.



Main factors and influence which may affect the future operational performance and financial position

1. Volatility of steel price in world market

Domestic steel price has been effect by volatility of steel price in world market. In term of uptrend price, the company can earn profit from contradiction the lower cost. For reversal of downtrend price, the company may earn lower margin or loss from the declining in value of inventory.

2. Credit term policy to customer

The company extended credit term to the customer who has long term relationship and good records to maintain company sale volume. However, such credit term extension policy may cause shortfall cashflow. The company concentrated to cashflow and inventory management carefully and closely monitor on payment from customer.

Industry Situation and Trend

Steel pipe situation in 2008

The steel consumption quantity in 2008 is continuously decelerated compare to the previous year, due to domestic economic situation and internal politic changing are the reasons for delay in government mega project, decreased in production leaded to severe price competition. Average price (FOB) of Hot Rolled Coil, important raw material which influence to cost of steel pipe products, increase from USD630/Ton in 2007 to USD813/Ton in 2008 or 29.05% However, hot rolled steel price in December 2008 decreased to USD 599 /ton and being decrease tendency in 2009.

Steel Pipe Industry Trend

Trend of steel pipe industry depends on the consumption of steel pipe in relative industries i.e.automobile, construction, furniture, electric appliances and others industries. Steel pipe industry's growth in Thailand is being the same trend of world market. The price of hot rolled coil has been increased 29.05% in 2008. Due to the world and domestic economic in 2009, we expected that steel pipes consumption will be continually decreased from previous year.



Resume of Directors and Managements of Rich Asia Steel Public Company Limited as of December 31, 2008

Name Age / Position	Education	Relationship with Other management	* % of Total Voting Right	Experience	Lawsuit during 5 years	
Gen. Naruedol Dejjpradiyuth Age : 71 Chairman / Chairman of Audit Committee (Independent Director)	Bachelor of Science Chulachomkiao Royal Military Academy National Defence College of Thailand#32 Command and Staff College#47 Director Accreditation Program (DAP) 47/2005	-None-	-None-	27 Jan. 2006 - Present 1998 – Present 1991 – 1998	- Chairman of Audit Committee Rich Asia Steel Public Company Limited - Director Phuket Fanta Sea Public Company Limited - Director Safari World Public Company Limited	-None-
Ms. Angkakarn Tantiviroon Age : 44 Director / Chief Executive Officer	Bachelor Degree Economics Ram Kham Heang University Bachelor Degree Business and Finance Hasting College UK. University Director Accreditation Program (DAP) 51/2005	Granddaughter of Mrs. Phimsiri Keeratithiansiri	4.86%	1 Oct. 2005 - Present 10 May. 1999 – 30 Sep. 2005 2003 – Present 1989 – 2001	- Chief Executive Officer Rich Asia Steel Public Company Limited - Director Rich Asia Steel Public Company Limited - Planner Administrator Siam Ferro Industry Co., Ltd. - Manufacturing Director GT Steel Works Co., Ltd.	-None-
Mrs. Phimsiri Keeratithiansiri Age : 58 Director	Diploma Degree Accounting Bangkok Business College Director Accreditation Program (DAP) 51/2005	Aunt of Ms. Angkakarn Tantiviroon	4.35%	27 Jan. 2006 – Present 2000 – 2003 1992 - 1999	- Director Rich Asia Steel Public Company Limited - Accounting Manager Thanasarn Import-Export Ltd.(Agricultural) - Auditor Assistant GT Steel Works Co., Ltd. (Produce and sell steel bars and scrap)	-None-
Mr. Rittirong Intarajinda Age : 45 Director	Master Degree Engineering King Mongkut's institute of Technology North Bangkok Bachelor Degree Electrical Engineering Rajamangala University of Technology Phra Nakhon Chotiwet Campus Director Accreditation Program (DAP) 52/2005	-None--	-None-	27 Jan. 2006 - Present 1991 – Present 1991 – Present	- Director Rich Asia Steel Public Company Limited - Managing Director Team Vis Construction Co.,Ltd. - Manager Partner Team Electric Engineering Partnership (Install Electrical system, Air-condition system, and Communication system)	-None-



Name Age / Position	Education	Relationship with Other management	* % of Total Voting Right	Experience		Lawsuit during 5 years
Mr. Somkiat Vongsarojana Age : 46 Director / Managing Director	Bachelor Degree Business Administration Bangkok University (First Honor) Director Accreditation Program (DAP) 51/2005	-None--	0.62%	1 Oct. 2005 - Present 1 Mar. 2005 – 30 Sep. 2005 2001 – 2005 1993 – 2001	- Managing Director Rich Asia Steel Public Company Limited - Asst. Managing Director Rich Asia Steel Public Company Limited - Project Finance Manager Felix Hotel Management Co., Ltd. - Project Finance Manager Siam Ferro Industry Co., Ltd.	-None-
Mr. Surapong Churangarit Age : 53 Director / Audit Committee (Independent Director)	Master Degree Business Administration Ram Kham Haeng University Bachelor Degree Business Administration Ram Kham Haeng University Director Accreditation Program (DAP) 52/2005 Certified Internal Auditor (CIA)	-None--	-None--	27 Jan. 2006 - Present 2545 - Present 2542-2544	- Audit Committee Rich Asia Steel Public Company Limited - Internal Audit Department Manager Siam City Bank PLC. - AVP. Internal Audit DBS Thai Danu Bank PLC.	-None-
Asst.Prof.Dr. Apicha Boonpattarakon Age : 47 Director / Audit Committee (Independent Director)	Doctoral Degree Marketing University of Maryland at College Park. USA. Master Degree Marketing and Operations Management Ohio State University, USA Bachelor Degree Management Bangkok University Director Accreditation Program (DAP) 51/2005	-None--	-None--	27 Jan. 2549 - Present 2547 - Present 2545 – 2547 2543 – 2545 2543-2543	- Audit Committee Rich Asia Steel Public Company Limited - Dean, School of Business Administration Bangkok University - Lecturer School of Business Administration Bangkok University - Asst. Dean, School of Business Administration Bangkok University - Chairman, Department of Marketing, School of Business Administration Bangkok University	-None-



Name Age / Position	Education	Relationship with Other management	* % of Total Voting Right	Experience		Lawsuit during 5 years
Mr. Teera Phoncharoensuk Age : 38 Director / Production Director	Bachelor Degree Engineering King Mongkut's University of Technology Thonburi Director Accreditation Program (DAP) 51/2005	-None--	0.15%	1 Oct. 2005 - Present 1 Apr.2005 - 30 Sep. 2005 1999 - 2004	- Director / Production Director Rich Asia Steel Public Company Limited - Production Manager Rich Asia Steel Public Company Limited - Factory Manager GT Steel Works Co., Ltd. (Produce and sell steel bars and scrap)	-None-
Mr. Songdech Atimethin Age : 54 Sales Director	Bachelor Degree Economics Ram Kham Heang University	-None--	0.20%	1 Oct. 2005 - Present 1 Mar. 2005 – 30 Sep. 2005 2001 - 2005	- Marketing Director Rich Asia Steel Public Company Limited - Sale Manager Rich Asia Steel Public Company Limited - Outsource Sale Representative Rich Asia Steel Public Company Limited	-None-
Mr. Ream Saijam Age : 41 Chief Financial Officer	Master Degree Economics Kaerk University Master Degree Business Administration Sukhothai Thammatirat University Bachelor Degree General Management and Business Economics Sukhothai Thammatirat University Bachelor Degree Accounting Prince of Songkla University	-None--	0.47%	1 Oct. 2005 - Present 19 Sep. 2005 – 30 Sep. 2005 2005 – 2005 2002 – 2004	- Chief Financial Officer Rich Asia Steel Public Company Limited - Accounting Director Rich Asia Steel Public Company Limited - Asst. Managing Director (Accounting & Finance) Cotco Plastic Ltd. - Finance & Accounting Manager Cotco Metal Works Ltd.	-None-

Remark * Including share of related person under section 258 of SET Law



Authority Details of Director and Management of Rich Asia Steel Public Company Limited

Name	Rich Asia Steel Public Company Limited (Produce, Supply, Sell Steel)	Affiliated Company	
		Team Vis Construction Co.,Ltd. (To contract for a building)	Siam Ferro Industry Co., Ltd. (Produce and Sell steel pipe)
1. Gen. Naruedol Dejpradiyuth	X, N	-	-
2. Mrs. Phimsiri Keeratithiansiri	/	-	-
3. Mr. Rittirong Intarajinda	/	///	-
4. Ms. Angkarn Tantiviroon	/, V, //, U	-	Plan Administrator
5. Mr. Somkiat Vongsarajana	/, //, ///, U	-	-
6. Mr. Teera Phoncharoensuk	/, //, U	-	-
7. Mr. Surapong Churangsarit	/, Z	-	-
8. Asst.Prof.Dr. Apicha Boonpattarakan	/, Z	-	-
9. Mr. Songdech Atimethin	//, U	-	-
10. Mr. Ream Saijam	//, U	-	-

Remark:

X = Chairman

N = Chairman of Audit Committee

/ = Director

Z = Audit Committee

V = Chief Executive Officer

// = Executive Committee

U = Management

/// = Managing Director

Appendix

Financial Statements

For the year ended December 31, 2008

(TRANSLATION)

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position as of December 31, 2008 and 2007, the operations and cash flows for the year then ended of **RICH ASIA STEEL PUBLIC COMPANY LIMITED**, respectively in accordance with generally accepted accounting principles.

S.K. ACCOUNTANT SERVICES COMPANY LIMITED



(Somchai Kurujitkosol)

Authorized Auditor No. 3277

Bangkok,

February 27, 2009

RICH ASIA STEEL PUBLIC COMPANY LIMITED

BALANCE SHEETS

As of December 31, 2008 and 2007

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

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

RICH ASIA STEEL PUBLIC COMPANY LIMITED

BALANCE SHEETS

As of December 31, 2008 and 2007

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

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

RICH ASIA STEEL PUBLIC COMPANY LIMITED

BALANCE SHEETS

As of December 31, 2008 and 2007

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

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

RICH ASIA STEEL PUBLIC COMPANY LIMITED

INCOME STATEMENTS

For the Years ended on December 31, 2008 and 2007

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

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

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

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

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

RICH ASIA STEEL PUBLIC COMPANY LIMITED

CASH FLOW STATEMENTS

For the Years ended on December 31, 2008 and 2007

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

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

RICH ASIA STEEL PUBLIC COMPANY LIMITED

CASH FLOW STATEMENTS

For the Years ended on December 31, 2008 and 2007

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

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

RICH ASIA STEEL PUBLIC COMPANY LIMITED**NOTES TO FINANCIAL STATEMENTS****December 31, 2008 and 2007****1. General Information**

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

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

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

2. The Basis of Preparation of the Financial Statements

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been in accordance with Thai Accounting Standards No.35 (revised 2007) Presentation of Financial Statements and in accordance with the determination of the office of the Securities and Exchange Commission on the subject of preparation and presentation of the financial reports.

2.2 The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

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

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

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

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

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

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

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

TAS 36 (revised in 2007) Impairment of Asset

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

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

4. Summary of Significant Accounting Policies

4.1 Recognition of revenues

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

4.2 Recognition of expenses

- Expenses are recognized on accrual basis.

4.3 Cash and cash equivalents

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

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

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

4.5 Temporary investment

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

4.6 Inventory

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

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

4.7 Land not used for operation

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

4.8 Property, plant and equipment

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

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

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

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

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

4.9 Intangible asset

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

4.10 Impairment

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

Calculation of recoverable amount

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

Reversals of impairment

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

4.11 Accounting for leases

- Where the Group is the lessee

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

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

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

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

- Where the Group is the lesser

Operating leases

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

4.12 Provisions

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

4.13 Employees benefit

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

4.14 Loan

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

4.15 Foreign currencies

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

4.16 Financial instruments

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

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

4.17 Earnings(loss) per share

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

4.18 The appropriation of retained earnings

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

5. Inter-Transactions

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

5.1 Inter – Sales and Expenses

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

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

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

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

5.2 Inter – Assets and Liabilities

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

5.3 The Company's Relationship

Consist of:

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

6. Cash and Cash Equivalents Items

Consist of:

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

7. Temporary Investment

Consist of:

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

8. Accounts and Notes Receivable Other Companies - Net

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

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

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

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

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

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

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

9. Accounts and Notes Receivable Related Companies - Net

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

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

10. Inventories - Net

Consist of:

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

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

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

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

11. Advance Payment – Goods

Consist of:

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

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

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

12. Pledged Deposit at Financial Institution

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

13. Property, Plant and Equipment – Net

Consist of:

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

Depreciation for the year	
Ended on December 31, 2008	34,681,635.19
Ended on December 31, 2007	22,615,201.75

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

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

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

14. Land not Used for Operation - Net

Consist of:

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

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

15. Deposit Payment for Investment

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

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

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

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

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

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

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

16. Deposit Paid for Land

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

17. Credit Facilities and Guarantee

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

18. Short-Term Loans from Financial Institutions

Consists of:

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

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

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

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

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

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

19. Short – Term Loans from Security Company

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

20. Long Term Loans from Financial Institutions – Net

Consist of:

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

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

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

21. Share Capital

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

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

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

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

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

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

22. Dividend Payment and Legal Reserve

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

23. Basic Earning (Loss) Per Share

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

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

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

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

24. The Compensation of Accumulated Loss

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

25. Directors' Remuneration

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

26. Corporate Income Tax

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

27. Expenses by Nature

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

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

28. Provident Fund

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

29. Presentation of Financial Data Segregated by Business Sector

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

30. Obligations and Contingent Liabilities

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

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

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

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

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

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

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

31. Financial Instruments

31.1 Policy to manage financial risks

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

31.2 Risk on interest rates

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

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

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

31.3 Risk on exchange rates

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

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

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

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

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

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

31.4 Credit risk

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

31.5 Fair value

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

32. Other Information

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

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

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

33. Approval of the Financial Statement

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



บริษัท ริช เอเชีย สตีล จำกัด (มหาชน)

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