

ANNUAL REPORT 2006  
รายงานประจำปี 2549



ONE STOP SERVICE



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Financial Statements for the year ended December 31, 2006



## Message from Chairman

Thailand's economic growth rate in 2006 is higher than 2005 which rated 5.0% and 4.5% respectively. Negative factors caused to effect the economic growth in 2006, such as, high interest rate in the first half year of 2006 and maintain to end of the year, flood disaster, fluctuation of oil price in high level, the uncertainty of political situation and the government financial policy, all that factors are impact to the confidence of private sector investment and consumer's consumption especially in construction industry and immovable property which are effected to lower demand of housing in fourth quarter of 2006.

In 2006, Rich Asia Steel Public Company Limited has total revenue 4,345.46 million baht decreased by 574.53 million baht or 11.67% from the same period of 2005. The decreased revenue is effected by the decreasing of steel price in world market from the end of 2005 thru the mid of 2006, also domestic average steel price has been decreased by 10-12 % from 2005. Whereas the sales volume in 2006 has been increased by 2%, as well as the efficiency inventory control by management, are result to the reduction of Cost of Goods Sold for amount of 662.19 million baht, so the company has achieved net profit in 2006 amount of 81.62 million baht which greater than in 2005 for 65.75 million baht or 414.37%.

The company has targeted to be One-Stop Service Center of steel by providing, producing and sell all kinds of steel products that to serve various customer demands in each industry segments. Furthermore, we are focus to develop and produce high quality products and the business expansion incessantly.

On behalf of the Board of Directors, we would like to express our appreciation for shareholders and valued customers for your trust and support our company, also company's staff who work actively for company developing to present. We will process the business to strong growth and incessantly with a good corporate governance to ensure that we maintain the best benefit for company and all shareholders.



Gen. Naruedol Dejpradiyuth

Chairman



## Message from Chief Executive Officer

The year 2006 marked significant step for Rich Asia Steel Public Company Limited. The Company have been approved to be listed security in Stock Exchange of Thailand (SET) on August 31, 2006 and lead the company to be known and widely accepted. With high performance and vision of Board of Directors, as well as management's co-operation, result to the company's growth and increased sales volume (in quantity) comparing to year 2005, even though in 2006 there were several factors that interrupted economic growth such as domestic political changing and regulation to reserve capital inflow for investment.

The company's operation in 2006, has earned net profit of 81.62 million baht which is effected by the efficiency inventory control especially raw material and finished goods including additional selling the products with higher gross margin.

In 2007, The company still process the project of structural steel for automobile industry and others. We plan to set up local Distribution Centers (D/C) in feasible area. These D/C will be company's channel, act as stockist, to support our customers' demand and also be customer care center.

On behalf of Board of Executive Committee, we would like to express my gratitude to all shareholders and partners who trusted, confident and support extended to the company. We will professionally maintain our operating standards to support customers' demand and worthy returns to the shareholders.



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. Supanat  
Chuchinprakarn  
Director / Audit Committee



Miss Angkarn Tantiviroon  
Director



Mr. Somkiat Vongsarojana  
Director



Mr. Teera Phoncharoensuk  
Director



Mr. Rittirong Intarajinda  
Director



Mrs. Pimsiri Keeratithansiri  
Director



## Executive Committee



Miss Angkarn Tantiviroon  
Chief Executive Officer



Mr. Somkiat Vongsarojana  
Managing Director



Mr. Teera Phoncharoensuk  
Production Director



Mr. Songdech Atimethin  
Marketing Director



Mr. Ream Sajjam  
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 of Audit Committee which are as follow

- |  |   |
|--|---|
| 1. Gen. Naruedol Dejpradiyuth            | Chairman of Audit Committee               |
| 2. Mr. Surapong Churangarit              | Audit Committee                           |
| 3. Asst.Prof. Dr. Supanat Chuchinprakarn | Audit Committee                           |
| 4. Mr. Sutee Tanvanichkul                | Secretary<br>(resigned September 1, 2006) |
| 5. Mr. Pawaris Vongsersri                | Secretary<br>(started October 11, 2006)   |

For the fiscal year ended December 31, 2006, The Audit Committee has organized 6 times meetings to consider and review company as followings

1. Reviewed company's quarterly and audited financial statements of 2006 which have reported financial status and operation in 2006 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 review audit operation, audit report and advise quarterly and viewed that company has an adequate, appropriate and efficient internal audit system.
4. Examined company's compliance with legal requirement on Securities and Stock Exchange, SET or other laws relevant to company's business.
5. Assess the adequacy of the company's internal control system with management and viewed that company having an adequate, efficient internal control system and developed according to current circumstance.
6. 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 Miss Wanraya Puttasatien of S.K Accountant Services Co.,Ltd. as the company's auditor's for 2007 accounting period with audit service fee of 890,000 baht and other expenses related to audit not exceeding 200,000 baht/year.



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.

A handwritten signature in blue ink, reading "Gen. Naruedol Dejpradiyuth".

Gen. Naruedol Dejpradiyuth

Chairman of Audit Committee



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## General Information

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. Currently, the total production capacity is 125,000 tonnes per year with the actual utilization rate of 24.03% of total production capacity in 2006.

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.   |
| 2005 August   | Purchase C-Channel machine.  |
| 2006 March    | Changed the name from "Rich Asia Trading (Thailand) Co., Ltd." to "Rich Asia Steel Plc."<br><br>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)  |
| November      | - Operated local the third Distribution Center (D/C) at Tambol Pantainorasingh, Amphor Muang Samut Sakhon, Samut Sakhon Province<br><br>- Began to construct the fourth local Distribution Center (D/C) at Tambol Lamsai, Amphor Wangnoi, Ayutthaya Province   |

**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, Bangkok Laem, Bangkok 10120 Tel. 0-2689-3636, (02) 689-3684-7 Fax. 0-2689-3688
Factory	:	64/7 Moo 1 Praram II Road, Tambol Kokgrabue, Amphor Muang Samut Sakhon, Samut Sakhon Province 74000 Tel. 034-861-452 Fax. 034-458-162
Distribution Centers	:	1. 64/7 Moo 1 Tambol Kokgrabue, Amphor Muang Samut Sakhorn, Samut Sakhon Province 74000 2. 33/8 Moo 5 Tambol Bangpleeyai, Amphor Bangplee , Samut Prakarn Province 10540 3. Tambol Pantainorasingh, Amphor Muang Samut Sakhon, Samut Sakhon Province 74000 4. Tambol Lamsai, Amphor Wangnoi, Ayutthaya Province 13000 (under construction)
Registration No.	:	0107549000050
Home Page	:	<a href="http://www.richasiasteel.com">www.richasiasteel.com</a>



## Referrals and Their Locations

### Common Stock Registrar

Thailand Securities Depository Co., Ltd.  
2/7 Moo 4 (North Park)  
Vipavadeerangsit Road, Tongsonghong  
Laksi, Bangkok 10210  
Tel. 0-2596-9000

### Auditor (Year 2006)

Mrs. Supreeya Sangudomlert      CPA No. 811

Thammakarn Accounting Office  
18 Pan Road, Silom, Bangrak  
Bangkok 10500  
Tel. 0-2236-4465

### Auditor (Year 2007)

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

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



## Financial Highlights

### Data from Financial Statement

	2004	2005	2006
Total Assets	1,228.69	1,511.45	1,707.08
Total Liabilities	752.86	1,019.74	965.51
Total Shareholders' Equity	475.83	491.70	741.57
Sales	3,379.50	4,904.96	4,332.51
Total Revenues	3,384.87	4,919.99	4,345.46
Gross Profit	133.64	128.66	218.39
Operating Profit (BFIT)	58.03	63.62	147.22
Net Profit	30.84	15.87	81.62
Retained Earnings	75.83	91.70	123.32

### Financial Ratios

	2004	2005	2006
<b>Liquidity Ratio</b>			
Current ratio (times)	1.16	1.14	1.33
Quick ratio (times)	0.37	0.80	0.84
Cash flow liquidity ratio (times)	-0.49	0.25	-0.44
Receivables turnover (times)	13.00	9.66	7.00
Collection period (days)	27.70	37.26	51.46
Inventory period (times)	8.29	11.10	8.71
Inventory turnover period (days)	43.44	32.43	41.35
Account payable turnover (times)	33.29	18.33	22.56
Payment period (days)	10.81	19.64	15.96
Cash cycle (days)	60.32	50.05	76.85
<b>Profitability Ratio</b>			
Gross profit margin (%)	3.95	2.62	5.04
Net Profit (%)	0.91	0.32	1.88
Return on equity (%)	8.00	3.28	11.01
<b>Efficiency Ratio</b>			
Return on assets (%)	3.28	1.16	4.78
Return on fixed assets (%)	42.02	31.28	58.33
Assets turnover (times)	3.60	3.59	2.55
<b>Financial Ratio</b>			
Debt to equity ratio (times)	1.58	2.07	1.30
Interest coverage (times)	-17.84	11.18	4.01
Dividend payout ratio (%)	-	315.12	-



## 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 pipe, hot rolled coil and sheets, billet, 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 that to provide the product for serve the customer demand by rapidly as quality and quantity.

The company's products and services can be classified into 2 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 serve customers' need for general usage such as construction and water pipe.

#### 1.2 Hot rolled steel coil and sheets

The Company sources hot rolled steel coil and sheets from distributors and resells them to customers who are wholesalers and manufacturers in various industries such as construction, automobile furniture etc. The product has thickness 1.20-12.00 millimeters with varying sizes according to customers' specifications mainly used for construction.

#### 1.3 Billet and other products

As a One-Stop-Service Policy, the Company engages in the trading of billet and other products such as checkered Plate, slit sheet, angle, steel channel, fitting, Channel H beam, I beam, and wide flange, etc. to complete a range of products as required by 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 tube, black steel pipe and rectangular tube 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 tonnes per year. The actual utilization rate is 27.62 in 2006.

## 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 tonnes per year. The actual utilization rate of 2006 is 18.65%.

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

## Revenue Structure

Sources of Revenue	2004		2005		2006	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from sales						
1. Structural Steel						
1.1 Square tube	1,009.39	29.82%	1,387.62	28.20%	1,076.39	24.77%
1.2 Black steel pipe	465.55	13.75%	751.75	15.28%	589.98	13.58%
1.3 Rectangular tube	383.72	11.34%	738.83	15.02%	624.85	14.38%
1.4 Lipped channel	186.43	5.51%	375.64	7.64%	634.16	14.59%
1.5 Angle Bar					11.12	0.26%
2. Hot rolled steel coil and Sheets	679.45	20.07%	1,343.61	27.31%	1,035.46	23.83%
3. Billet	509.33	15.05%	183.24	3.72%	316.68	7.29%
4. Other *	145.63	4.30%	124.27	2.53%	43.87	1.01%
<b>Total Revenue from sales <sup>(1)</sup></b>	<b>3,379.50</b>	<b>99.84%</b>	<b>4,904.96</b>	<b>99.69%</b>	<b>4,332.51</b>	<b>99.70%</b>
Other revenue **	5.37	0.16%	15.03	0.31	12.95	0.30%
<b>Total Revenue</b>	<b>3,384.87</b>	<b>100.00%</b>	<b>4,919.99</b>	<b>100.00%</b>	<b>4,345.46</b>	<b>100.00%</b>

\* Others consists of scrap, steel strapping, cold roll coil, round steel bars, H-beam, wide frange beams

\*\* Other revenue consists of gain (loss) from exchange rate, revenue from truck rental and transportation service, interest earned 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	2004		2005		2006	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from sales						
1. Supplying						
1.1 Trading	1,596.09	47.23%	1,713.13	34.93%	1,153.06	26.61%
1.2 Hiring other steel plants	1,703.33	50.40%	2,428.41	49.51%	2,632.71	60.77%
Total revenue from supplying	3,299.43	97.63%	4,141.54	84.44%	3,785.77	87.38%
2. Manufacturing	80.08	2.37%	763.42	15.56%	546.74	12.62%
<b>Total revenue from sales</b>	<b>3,379.50</b>	<b>100.00%</b>	<b>4,904.96</b>	<b>100.00%</b>	<b>4,332.51</b>	<b>100.00%</b>

#### Goals and Objectives of the Company

RICH is one of the leaders in trading and supplying steel product. The Company has a policy of being a solid provider and manufacturer of steel products including raw materials and finished products. The Company's objective is to operate as a complete and full range trader and supplier providing its customers various type and size of steel products as "One-Stop-Service". The Company also provides fast and on-time delivery service with the purpose of responding to customer needs promptly.

In addition, the Company aim to be a leader in manufacturing steel product and vary its product to expand its client base to the processed steel group, mainly focus on the automobile industry.

#### Customer Characteristic and target customer group

The major's target customer is enterprise in construction industries and new target customer is enterprise in automotive industries as well as related industries which use the company's products as raw material.

#### Sales and Distribution Channels

The company sell products to an approximately 300 wholesales located throughout Bangkok, boundary and provinces, which sell products to user. Moreover, the company directly sells to enterprise which use the Company's products as raw material. The portion sell to wholesale and enterprise is 95 percent and 5 percent, respectively. Currently, the Company has 4 distribution centers, 1 distribution center located in Samut Prakarn province, 2 distribution centers located in Samut Sakhon province and 1 distribution centers located in Ayutthaya province (under construction)

#### Competition

Currently, the company's steel pipes product is target to low-end market (Mass Market) which is widely use and continuing demand from customer, such as construction in housing and building. Also, there are four competitors which target the same group of customers. However, The competition is not



severe even there are many enterprise in the steel pipe industries because of target in difference customers group, Also, the trend of steel consumption is continue to increase as result of expansion of property and construction industries, usage in related industries and usage steel to replace construction materials.

#### Products procurement

The Company' raw materials and main product is hot rolled coil and sheet, steel pipe, cold formed C Channel, and other types of steel products (billet, rectangular steel, square steel, a water main tube, a slit, a joint, etc.) The company procures various steel product through trading, hiring and producing for selling to the customer which are 26.61%, 60.77% and 12.62% in 2006, respectively.

#### Raw material purchasing policy

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

#### Production policy

The Company has a policy to utilize its existing machine 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 other manufacturers to produce standard steel. The Company will subcontract other manufacturers to produce steel products which the Company's plant cannot produce or is not worth changing its production line to produce.

#### Environmental Impacts

Major environmental impacts of RICH's operation are noise from operation and scrap which will be collected and sold. For Noise, the Company 's operation conforms to the regulations of the Department of Labour Protection & Welfare. Since operating the factory , the company has never been filed by any lawsuit relating to environmental impacts 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 years.

#### Future Project

The Company plans to produce industrial steel such components of automobile assembly and packaging for import. The Company began its industrial steel processing and distributed to customers in automotive industry since the first quarter of 2006 which will be recognized as revenue in the second quarter of 2006 in an amount of Baht 3.00 million. The production will be made to order.

At present, the Company applies its current machines to produce industrial steel. However, the Company plans to purchase new machines for industrial steel processing in the second quarter of 2007 and



expects to commence production in the fourth quarter of 2007. The total investment is approximately Baht 80 million.

The company has business plan to establish Distribution Center (D/C) in major province with the objectives of stockist for prospect customers and enlarge numbers. One D/C, which fully establishment located at Pantainorasingh, Mueng Samut Sakhon, Samut Sakhon province, will serve customers in eastern and partial of lower Bangkok. Another D/C, which under construction located at Wangnoi area, Ayutthaya province will serve customers in lower middle part and Eastern (Partial) of Thailand. The company is studying feasibility location of each appropriate province for the following D/C.

#### **Risk factors**

##### **1. Risk from fluctuation of raw material price**

The company's major raw material is Hot Rolled Coil (HRC) which accounted for 89.50% of total value of raw material purchased in 2006 and all of HRC purchase are from domestic suppliers. HRC price will be changed according world price and domestic demand and supply which might effect to raw materials cost and gross margin.

In order to control risk from fluctuation of HRC, the managements closely 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 purchase Hot Rolled Coil from a domestic supplier, Great Eastern Internation Co.,Ltd. one of distributor of G steel PLC, accounting for 74.76% of total value of raw material purchase in 2006. Hence, the company may face the risk from relying on this supplier to supply adequate raw materials for production, and the risk from only 2 HRC manufacturers, Sahaviriya Steel Industry Public Company Limited, G Steel Public Company Limited which merged with Nakornthai Strip Mill Public Company Limited in 2006.

However, 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 2006, the company import billets from Russia and India accounting for 5.6% 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 into forward contracts, therefore, the company can totally hedge it exchange rate risk.



#### 4. Risk from competitive law change

##### Anti - Dumping : AD

Department of Foreign Trade, Ministry of Commerce announcement to claim surcharge on-importing Hot Rolled Coil from Japan, The republic of South Africa, Russia, Kazakhstan, India, Korea, Taiwan, Venezuela, Argentina, Ukraine, Algeria, Indonesia, Slovak Republic and Romania. This surcharge effect to HRC price from foreign countries higher than domestic. If such Anti-Dumping surcharge end in 2008, HRC import price may be lower than domestic's, and caused to serve competition of pipe's price.

Thus, the company may increase HRC from other sources which is lower price to maintain its competitiveness

##### The Free Trade Agreements (FTAs)

The acceptance of Free Trade Agreement (FTAs) with the Republic of China, Australia, New Zealand and The Republic of India which is bilateral and multilateral. The FTAs encourage trading and investments and HRC and Steel Pipe Tariff rate with the Republic of China will be 0-5% within 2018. The company may unavoidable high level of competition from foreign competitors. However, imported productions factors i.e. lead time and delivery cost may not cause any difference of imported and domestic's one, and imported production also to apply TISI standard which is not enhanced to import.

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



## Major Shareholders

Major Shareholders as of January 15, 2007 (Valued Baht 1 per share)

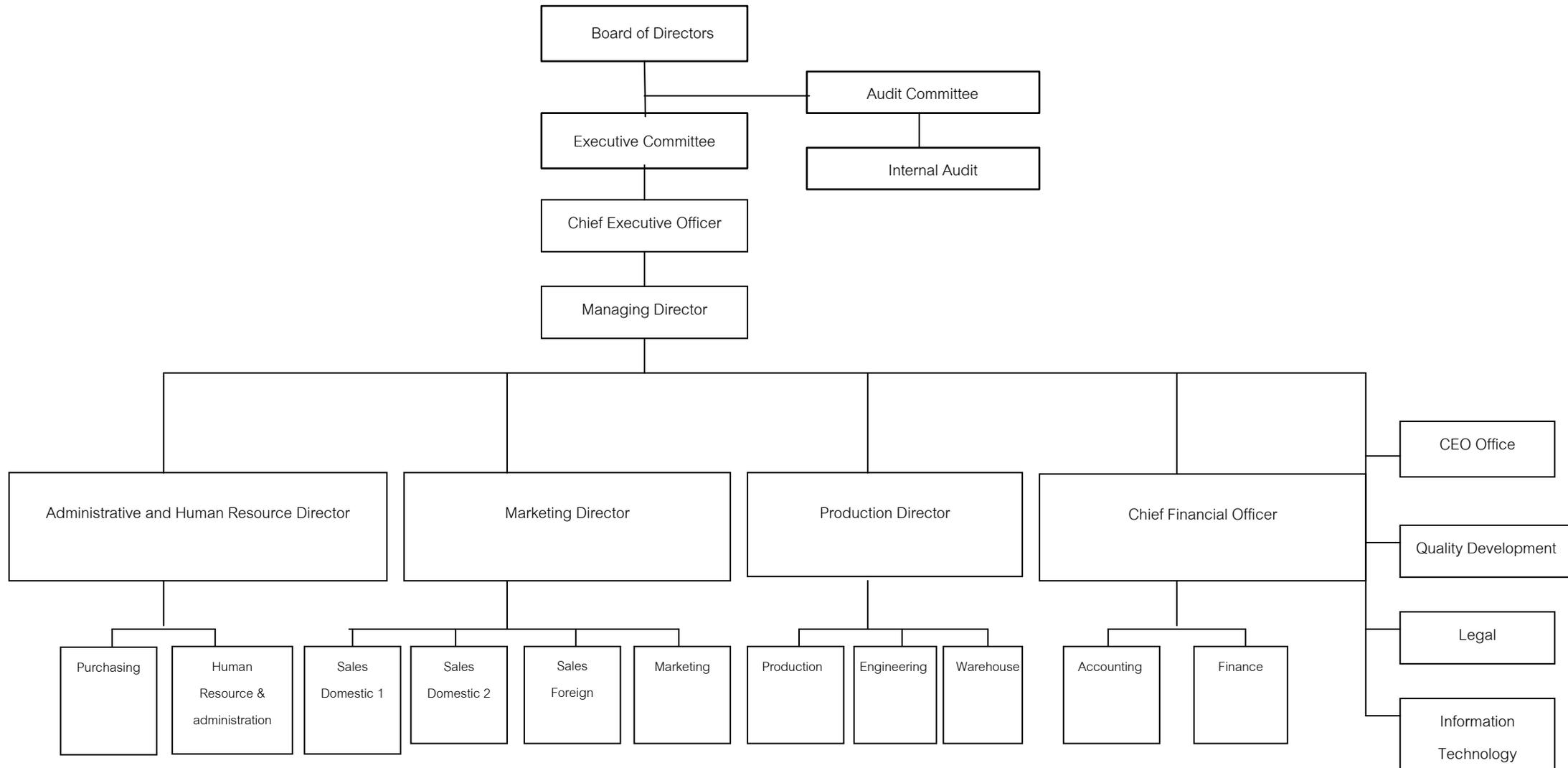
Ranking	Shareholders	Number of shares	Percentate
1.	<u>Ms.Angkakarn Tantiviroon's group</u>		
	1.1 Mrs.Phimsiri Keeratithiansiri	75,000,000	15.00
	1.2 Ms.Thanyalak Ninpiethoon	75,000,000	15.00
	1.3 Ms.Angkakarn Tantiviroon	28,125,000	5.63
	1.4 Ms.Chen Ming Ming	51,562,500	10.31
	1.5 Mr.Chen Xiangming	37,500,000	7.50
	1.6 Mrs.Kwan Yuen Michelle	18,750,000	3.75
	Total	285,937,500	57.19
2.	<u>Mr.Krit Deelokcharoen's group</u>		
	2.1 Mr.Krit Deelokcharoen	51,562,500	10.31
	2.2 Mrs.Sunanta Phadejpai	37,500,000	7.50
	Total	89,062,500	17.81
3.	<u>Management and Employee's group</u>		
	3.1 Mr.Somkiat Vongsarajana	4,000,000	0.80
	3.2 Mr.Teera Phoncharoensuk	3,000,000	0.60
	3.3 Mr.Ream Saijam	3,000,000	0.60
	3.4 Mr.Songdech Atimethin	3,000,000	0.60
	3.5 Mr.Somphon Srisumran	500,000	0.10
	3.6 Others	11,500,000	2.30
	Total	25,000,000	5.00
4.	Mr.Palawatchr Satayatham	5,834,100	1.17
5.	Mrs.Sawinee Sinthu	3,915,500	0.78
6.	Thai NVDR Company Limited	3,468,700	0.69
7.	Mr.Yong Thanakijcharoenying	3,000,000	0.60
8.	Mr.Surat Leerungreung	3,000,000	0.60
9.	Mr.Komol Jeungrunreungkij	2,490,000	0.50
10.	Mr.Wutthichai Leenabanjong	2,453,200	0.49
	Total	424,161,500	84.83
	Other Shareholders	75,838,500	15.17
	Total Shareholders	500,000,000	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.



Organization Chart (December 31, 2006)





## Organization Chart

Company's organization consists of 3 Boards i.e. Board of Directors Executive, Committee and Audit Committee.

### Board of Directors

As December 31, 2006 of the Board of Directors comprises: of 8 members:

1. General Naruedol	Dejpradiyuth	Chairman of the Board of Directors/Chairman of Audit Committee/ Independent Director
2. Mrs. Phimsiri	Keeratithiansiri	Director
3. Mr. Rittirong	Intarajinda	Director
4. Miss Angkakarn	Tantiviroon	Director
5. Mr. Somkiat	Vongsarojana	Director
6. Mr. Teera	Phoncharoensuk	Director
7. Mr. Surapong	Churangsarit	Audit Committee/ Independent Director
8. Mr. Supanat	Chuchinprakarn	Audit Committee/ Independent Director

### Director's Authority on behalf of the Company

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

### Authorities and responsibilities of the Board of Directors

According to the 1/2006 Board of Director's meeting 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.

#### **Audit Committees/ Independent Directors**

December 31, 2006, Audit committee consists of 3 Independent Directors as following:

1. General Naruedol	Dejpradiyuth	Chairman of Audit Committee/ Independent Director
7. Mr. Surapong	Churangsarit	Audit Committee/ Independent Director
8. Mr. Supanat	Chuchinprakarn	Audit Committee/ Independent Director

#### **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.

#### **Audit Committee/ Independent Director Qualifications**

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.

#### **Executive committee**

**December 31, 2006 all 5 Executive committee consists of following:**

1. Miss Angkakarn	Tantiviroon	Director/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**

According to the 1/2006 Board of Director's meeting on February 3, 2006, there is a setting of authorities and responsibilities of Executive committee.

- 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 all investments including purchasing, selling company's fixed assets and propose to Board of Directors.
- 3) Can be the company representative to other person that can be benefit to the company.
- 4) Consider company's fund raising and propose to Board of Directors.
- 5) Assign and approve all counselors for the company.
- 6) Manage all administrative matters.
- 7) 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 person 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 have authority approval to purchase raw material and/or finished goods and / or which is normal business transaction not over 500 million baht, and can approve expenses to purchase and sell assets not over 50 million baht. If it over, must propose to Board of Directors for approval.
2. Director/Chief Executive Officer has authority approval to purchase raw material and/or finished goods and/or which is normal business transaction not over 20 million baht, and can approve expenses to purchase and sell assets not over 10 million baht. If it over, must propose to the Executive Committee.
3. Managing Director has authority approval to purchase raw material and/or finished goods and/or which is normal business transaction not over 0.5 million baht, and can approve expenses to purchase and sell assets not over 0.5 million baht. If it over, must propose to the Director / Chief Executive Officer.

#### **Authorities and responsibilities of the Director/Chief Executive Officer**

According to the 5/2006 Board of Director's meeting on August 9, 2006, there is a setting of authorities and responsibilities of Director/Chief Executive Officer.

- 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 approval to purchase raw material and/or finished goods and/or which is normal business transaction not over 20 million baht, and can approve expenses to purchase and sell assets not over 10 million baht. If it over, must propose to the Executive Committee.
- 4) Issuing order, regulation, announcement and report that will make the company reach their policy and benefit to the company.



- 5) Can be the company representative to other person that can be 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**

- 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) Approve all company's expenses which has ladder and can approve the regular sale and purchase transactions not over 0.50 million baht. If it over, must propose to the Director/Chief Executive Officer
- 4) Issuing order, regulation, announcement and report that will make the company reach their policy and benefit to the company.
- 5) Can be the company representative to other person that can be 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.



## Selection of Committee

### Selection of Committee

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.

Assigning the Board of Directors comes from the shareholder's vote and the following way:

1. One shareholder has the vote equal to how many shares they have in hand.
2. One shareholder can split their votes for selection of many candidates.
3. The one who got the highest vote will be the Board of Director respectively. If there is an equal vote, the President will be the one who assign.

### Selection 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 experience in accounting or finance.

### Selection 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 2006, the Management consists of six members, as follows:

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

**Management Remuneration**

## 1. Monetary Remuneration

Annual General Shareholders' meeting 1/2006 on March 14, 2006 has resolved to fix the remuneration for Board of Directors not over 5 million/year. Director who is managements will received salary and bonus as remuneration.

In 2005, the company has 1 Director which is the management, and in 2006 the company has 8 Directors which 3 of Directors are Executive Director. For accounting period of December 31, 2005 and December 31, 2006, the company has paid remuneration to directors and management as follow:

Item	2005			2006		
	Salary/Bonus	Remuneration	Other <sup>1)</sup>	Salary/Bonus	Remuneration <sup>2)</sup>	Other <sup>1), 3)</sup>
Directors						
1. General Naruedol Dejpradiyuth	-	-	-	-	160,000.00	-
2. Mrs. Phimsiri Keeratithiansiri	-	-	-	-	50,000.00	90,000.00 <sup>3)</sup>
3. Mr. Rittirong Intarajinda	-	-	-	-	50,000.00	-
4. Miss Angkakarn Tantiviroon	-	-	-	-	-	-
5. Mr. Somkiat Vongsarojana	-	-	-	-	-	-
6. Mr. Teera Phoncharoensuk	-	-	-	-	-	-
7. Mr. Surapong Churangsarit	-	-	-	-	80,000.00	-
8. Mr. Supanat Chuchinprakarn	-	-	-	-	80,000.00	-
Executive Directors						
2005, 1 person	-	-	4,050,806.00	-	-	-
2006, 3 persons	-	-	-	3,257,000.00	-	3,832,088.00 <sup>1)</sup>
Management						
2005, 5 persons	2,965,091.25	-	-	-	-	-
2006, 3 persons	-	-	-	2,874,669.94	-	-
<b>Total</b>	<b>2,965,091.25</b>	<b>-</b>	<b>4,050,806.00</b>	<b>6,131,669.94</b>	<b>420,000.00</b>	<b>3,922,088.00</b>



- 1) Other: Management remuneration in 2005 = 0.075 of sales revenue and insurance premium 372,086 baht.  
Management remuneration in 2006 = 0.08 of sales revenue and insurance premium 372,088 baht.
- 2) Remuneration paid upon joining meeting of each director
- 3) Other: remuneration for authorized director.

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.

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.



## Good Corporate Governance

As following the Code of Best Practices policy, is used to increase a sufficiency operation and good corporation governance that would create a confidence of shareholders and investors. The company nominate Chief Financial Officer as Investor Relation. The company practices the policies which follow all legal guidelines of the Securities and Exchange Commission, Stock Exchange of Thailand as:

### 1. Principle and policy of good corporate governance

- 1.1 The principle of operating business must be benefited to shareholders.
- 1.2 Directors and management persons must be sufficiency managed.
- 1.3 All information must be clearly presented and on time.
- 1.4 Risk management must be controlled and minimized loss.
- 1.5 Ethics must be used for operating a business.

### 2. Shareholders' Rights

All information must be presented to all shareholders without any condition such as number of share, nationality etc. Every shareholder meeting must follow the public company regulation as the invitation along with meeting agenda must send to every shareholder for the meeting date and advertise to the public. The meeting must take place 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 to the meeting is prepared in a written report which includes all questions, clarification and opinions expressed at the meeting.

### 3. Stakeholders' Rights

The company highlights the importance and recognizes each stakeholder's right which is 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

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.

#### 5. Leadership and Vision

Not only the Board of Directors gives a personal experience, knowledge and skill for setting an operating plan and target, but also follows up to ensure the company's successful operation. The Board of Directors, management team, employees and other related parties must be clarified duties and responsibility in the organization. The internal audit and management risks must be added on an operating plan.

#### 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 informed and practiced for operating business. There 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**

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' meeting, 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 remuneration for a meeting must be comparable to others in the industry, which has been paid to directors whom have been brought in to assist the company. For the executive directors who participate in managing the company, have received a salary and bonus, in the amount can be compared in average with others company.

## 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.

In 2006, 7 board of directors' meets have been occurred as the following attendance:

Name	Position	Attending Meeting/Total Meeting
Committees		
1. General Naruedol Dejpradiyuth	Chairman of the Board of Directors / Chairman of Audit Committee	7/7
2. Mrs. Phimsiri Keeratithiansiri	Committee	6/7
3. Mr. Rittirong Intarajinda	Committee	7/7
4. Miss Angkarn Tantiviroon	Committee	7/7
5. Mr. Somkiat Vongsarajana	Committee	7/7
6. Mr. Teera Phoncharoensuk	Committee	7/7
7. Mr. Surapong Churangsarit	Audit Committee	7/7
8. Mr. Supanat Chuchinprakarn	Audit Committee	7/7



## 12. Committee

At least, the audit committee must be set up for controlling the internal audit with a period of 3 years and must be 3 independent directors for minimum.

## 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 presented to the audit committee whom would be able to compliance control and minimize the management risks and the unusual transaction.

## 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

1st Annual Board of Director's Meeting on February 26, 2007, which 3 of Audit Committees were in the meeting. They evaluated the adequacy in Internal Audit System evaluation of Rich Asia Steel PLC. The summarize of executive interrogate about 5 areas of Internal Audit System.

1. Organization and environment
2. Risk Management
3. Controlling the management performance
4. Information System
5. Follow Up System

Board of Directors conclude that the company conform good corporate governance and adequate internal control system according to SEC. 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	2005 (Million Baht)	2006 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
<u>Siam Ferro Industry Co., Ltd</u>	- Miss Angkarn Tantiviroon, director and shareholder of the Company, is the plan Administrator of Siam Ferro Industry Co., Ltd. since 2003. In addition, Miss Angkarn 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 Angkarn 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 Angkarn Tantiviroon have already sold their entire stake in Maximum Holding Co., Ltd. to the third party in January 2006.)	1. Sell steel pipes 2. Buy steel pipes 3. Steel pipe production expense 4. Account payable 5. Others expense (such as transportation fee, maintenance service fee and others) 6. Accrued expense 7. Other income	0.24 370.55 33.21 7.91 7.32 0.11 ---	- 0.55 37.62 0.44 10.41 --- 0.01	- Siam Ferro Industry Co., Ltd. order products that FERRO cannot produce. - The Company buy steel pipe form FERRO due to lack of products to deliver to customer - The Company hires FERRO to produce steel products for the maximum benefit of production and reduce time for its production line to produce, resulted to receive more order and various type of product. Also, transaction was subject to normal terms and conditions of business, compared with non-related customers.  <u>Audit Committee's Opinion</u> The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.



Company / People	Relationship	Transaction Account	2005 (Million Baht)	2006 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
<u>Target Steel Co., Ltd.</u>  ( The company gave up it's business on Sept. 30, 2005)	Miss Angkakar Tantiviroon and Mrs. Kwan Yuen Michelle, director and shareholder of the Company hold 17.00% and 16.50% respectively in Target Steel Co., Ltd.	1.Sell steel pipes, hot rolled coil and sheets.  2. Revenue from Rental	352.11  0.05	---  ---	<ul style="list-style-type: none"><li>- Target Steel Co., Ltd buy product from the company, and sell to its customer.</li><li>- Target Steel Co.,Ltd. Rent distribution's area of the company for distribution products in order to distribute to various arrears.</li></ul> <p><u>Audit Committee's Opinion</u></p> <p>The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.</p>



Company / People	Relationship	Transaction Account	2005 (Million Baht)	2006 (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	1.17	1.17	<p>- The company rent land and building for distribution products in order to distribute to various arrears.</p> <p><u>Audit Committee's Opinion</u></p> <p>The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.</p>



Company / People	Relationship	Transaction Account	2005 (Million Baht)	2006 (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. Sell steel pipes and billets 2. Account receivable 3. Buy round steel bars 4. Account payable 5. Buy equipment 6. Maintenance service fee	3.69 0.01 0.57 - - 0.37	--- --- 0.28 0.10 0.07 0.72	- G.T. Steel Works Co., Ltd. buy billet as raw material to product round bar.  <u>Audit Committee's Opinion</u>  The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.



Company / People	Relationship	Transaction Account	2005 (Million Baht)	2006 (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. Sell billets 2. Buy round steel bars 3. Account payable 4. Deposit for goods 5. Maintenance service fee	179.55 0.14 0.04 128.97 0.01	167.94 0.20 0.13 --- 0.01	<ul style="list-style-type: none"> <li>- Genius Tech Trading Co., Ltd. buy billet from the Company as raw material to product round bar.</li> <li>- The Company requested an advance deposit, since Genius Tech Trading Co., Ltd order products while the company has not enough cash flow.</li> <li>-</li> </ul> <p><u>Audit Committee's Opinion</u></p> <p>The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.</p>



Company / People	Relationship	Transaction Account	2005 (Million Baht)	2006 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
PAP Exim Co., Ltd	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. Sell steel pipes  2. Account receivable	89.26  3.78	60.48  1.62	- PAP Exim Co., Ltd buy product from the company, and sell to its customer.  <u>Audit Committee's Opinion</u>  The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.



Company / People	Relationship	Transaction Account	2005 (Million Baht)	2006 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
Tanasarp Pisarn Co., Ltd.	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	9.90	9.90	<p>- Tanasarp Pisarn Co., Ltd buy product from the company in 2003. Currently, the Company was fully setting allowance for doubtful account and under the proceed of lawsuit.</p> <p><u>Audit Committee's Opinion</u></p> <p>The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.</p>
Sahakol Lohakij Ltd. Part.	Mr. Krit Deelokcharoen, a major shareholder of the Company, and brother held 73.75% and 6.25% in Sahokol Lohakij Ltd. Part. respectively.	1. Sell hot rolled sheets  2. Buy machine	2.83  13.45	-  -	<p>- Sahakol Lohakij Ltd. Part. buy product from the company to use for part of machinery.</p> <p>- The Company buy machine to expand its production capacity.</p> <p><u>Audit Committee's Opinion</u></p> <p>The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.</p>



Company / People	Relationship	Transaction Account	2005 (Million Baht)	2006 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
Chaichana Steel Co., Ltd.	Miss Angkarn Tantiviroon, director and shareholder of the Company, was a director of Chaichana Steel Co., Ltd. until May 2005.	1. Sell hot rolled sheets and steel pipes 2. Account receivable 3. Labor sourcing expenses 4. Account expense (Labor sourcing)	17.19  0.45  1.77  ---	8.31  ---  3.16  0.32	<ul style="list-style-type: none"> <li>- Chaichana Steel Co., Ltd. buy product from the company and sell to its customer.</li> <li>- The Company used outsources labor for flexibility of production and labor.</li> </ul> <p><u>Audit Committee's Opinion</u></p> <p>The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.</p>



Company / People	Relationship	Transaction Account	2005 (Million Baht)	2006 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
<u>Empire Steel Center Co., Ltd.</u>	Miss Angkarn Tantiviroon, director and shareholder of the Company, was a director of Empire Steel Co., Ltd. until May 2005.	1. Sell steel pipes, hot rolled coil and sheets and others 2. Revenue from cutting 3. Account receivable 4. Revenue from transportation 5. Other income 6. Buy structural steel	162.84 --- 20.07 0.63 --- ---	79.84 0.05 10.76 1.23 0.01 0.79	- Empire Steel Center Co., Ltd buy product from the company, and sell to its customer.  <u>Audit Committee's Opinion</u>  The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.
<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. Sell steel pipes 2. Account receivable	10.86 0.18	16.19 ---	- Mahalap Metal Co., Ltd. buy product from the company and sell to its customer.  <u>Audit Committee's Opinion</u>  The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.



Company / People	Relationship	Transaction Account	2005 (Million Baht)	2006 (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. Sell steel pipes  2. Account receivable	7.28  ---	6.68  0.39	- Chaisupon Co., Ltd. buy product from the company and sell to its customer.  <u>Audit Committee's Opinion</u>  The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.
<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. Sell steel pipes	5.29	2.67	- Hansawad Ltd., Part. buy product from the company and sell to its customer.  <u>Audit Committee's Opinion</u>  The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.
<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	0.48	6.27	- The company employ Team Vis Construction Co., Ltd. to construct distribution center,  <u>Audit Committee's Opinion</u>  The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.



Company / People	Relationship	Transaction Account	2005 (Million Baht)	2006 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
Mrs. Kwan Yuen Michelle:	A shareholder of the Company.	1. Repay loan from shareholders 2. Accrued interest expense	34.00 0.07	--- ---	<p><u>Audit Committee's Opinion</u></p> <p>The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.</p>
Miss Chen Ming Ming	A shareholder of the Company.	1. Drawdown loan from shareholders 2. Repay loan from shareholders 3. Accrued interest expense	261.40 261.40 2.04	--- --- ---	<p><u>Audit Committee's Opinion</u></p> <p>The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.</p>
Mr. Chen Xiang Ming	A shareholder of the Company.	1. Drawdown loan from shareholders 2. Repay loan from shareholders 3. Accrued interest expense	115.08 144.08 1.44	--- --- ---	<p><u>Audit Committee's Opinion</u></p> <p>The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.</p>



Company / People	Relationship	Transaction Account	2005 (Million Baht)	2006 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
Miss Angkarn Tantiviroon	A director and shareholder of the Company.	1.Repay loan from shareholders	1.56	---	<p>- The Company borrowed from director to use as working capital without any interest charged</p> <p><u>Audit Committee's Opinion</u></p> <p>The related transaction was subject to the benefit of the company's performance and reasonable. Price and condition are considered to be appropriate.</p>



In addition, on 31 December 2006 the company has entered into loan agreement with 2 banks in an amount of Baht 871.00 million in total, which pledged by fixed deposit, the company's land and building as well as guaranteed by Miss Angkarn Tantiviroon, a director and major shareholder of the Company, including her assets pledged as collateral.

#### Audit Committee's Opinion

The audit committee has given the opinion that all the above transactions are of benefit to RICH as Miss Angkarn Tantiviroon guarantor and takes her assets to pledge as collateral for credit lines of RICH without any charges.



## Policy for future connected transactions

### 1. Policy for future connected transactions with Siam Ferro Industries Co., Ltd, (FERRO)

- The Company set policy about subcontracting and trading with FERRO to ensure that such transactions based on reasonableness and the highest benefit to the Company. The internal audit department is responsible to prepare quarterly report for the Audit Committee to give an opinion and report auditor and the Board of Directors of the Company. All transactions with FERRO will be disclosed in the notes to financial statements. An opinion of the Audit Committee about such transactions will be disclosed in form 56-1, annual report of the Company.
- The Audit Committee will give an opinion about the change in material of hiring contract and report to the Board of Committee before such transaction will be done.
- For the future connected transactions other than subcontracting, trading and normal business, he Audit Committee will give an opinion and report to the Board of Directors of the Company for approval. Then, the Board of Directors will report to the shareholder's meeting for consideration. Directors who might have a conflict of interest must abstain from voting on such transaction.

### 2. Policy for future connected transactions with other related parties.

For future connected transactions with other related parties including the parties used to be related parties as disclosed in section 11.1 of the prospectus, the Company will follow the rules and regulations of the SEC and SET in regard to connected transactions and acquisition and disposals of the Company's assets. The approval of such transactions will not cause a conflict of interest and will be based on the highest benefit to the Company's shareholders. The Company will comply disclose related transactions in form 56-1, annual report and notes to financial statement of the Company.



## Management's Discussion and Analysis Year 2006

## Financial statements

	2004		2005		2006	
	Million Baht	%	Million Baht	%	Million Baht	%
Current Assets						
Cash on hand and at banks	7.30	0.59	35.30	2.34	28.52	1.67
Short term loan to other company	0.25	0.02	-	-	-	-
Note and account receivables	241.59	19.66	773.80	51.20	619.32	36.28
Inventories	515.07	41.92	343.11	22.70	472.50	27.68
Other current assets	28.07	2.28	0.70	0.05	159.64	9.35
Total current assets	792.28	64.48	1,152.92	76.28	1,279.98	74.98
Fixed deposit to bank	265.61	21.62	149.14	9.87	207.00	12.13
Investment in property	37.57	3.06	39.70	2.63	39.70	2.33
Land building and equipment-net	133.19	10.84	169.37	11.21	177.21	10.38
Other assets	0.04	0.00	0.32	0.02	3.19	0.19
<b>Total assets</b>	<b>1,228.69</b>	<b>100.00</b>	<b>1,511.45</b>	<b>100.00</b>	<b>1,707.08</b>	<b>100.00</b>
Short term loans and overdraft	547.23	44.54	377.39	24.97	728.19	42.66
Note and account payables	45.50	3.70	474.30	31.38	182.36	10.68
Portion of long term loan due within 1 year	3.99	0.32	4.38	0.29	2.78	0.16
Other current liabilities	83.74	6.82	159.48	10.55	50.77	2.97
Total current liabilities	681.35	55.45	1,015.55	67.19	964.10	56.48
Loan from related parties	64.56	5.25	-	-	-	-
Payable under hire-purchased-net	7.84	0.64	4.19	0.28	1.41	0.08
<b>Total Liabilities</b>	<b>752.86</b>	<b>61.27</b>	<b>1,019.74</b>	<b>67.47</b>	<b>965.51</b>	<b>56.56</b>
Registered capital	400.00	32.55	400.00	26.46	500.00	29.29
Issue and fully paid	400.00	32.55	400.00	26.46	500.00	29.29
Premium on shares capital	-	-	-	-	118.25	6.93
Retained earnings	75.83	6.17	91.70	6.07	123.32	7.22
<b>Total Shareholders' equity</b>	<b>475.83</b>	<b>38.73</b>	<b>491.70</b>	<b>32.53</b>	<b>741.57</b>	<b>43.44</b>
Sales	3,379.50	99.84	4,904.96	99.69	4,332.50	99.70
Other income	5.37	0.16	15.03	0.31	12.95	0.30
<b>Total revenues</b>	<b>3,384.87</b>	<b>100.00</b>	<b>4,919.99</b>	<b>100.00</b>	<b>4,345.45</b>	<b>100.00</b>
Cost of goods sold	3,245.86	95.89	4,776.30	97.08	4,114.11	94.68
Selling and administrative expenses	80.98	2.39	80.07	1.63	84.12	1.94
Interest expenses	9.19	0.27	26.90	0.55	36.73	0.85
Corporate tax	18.00	0.53	20.86	0.42	28.87	0.66
Net profit	30.84	0.91	15.87	0.32	81.62	1.88



## Statement of Cash Flows

	2004	2005	2006
Cash flows from operating activities			
Net profit	30.84	15.87	81.62
Adjustment to reconcile net profit to net cash provided from operation			
Depreciation and amortized allowance for doubtful accounts	8.80	15.78	21.75
Loss on devalue of goods and raw material	9.90	-	-
Loss on disposal of assets	-	12.04	-11.42
Loss on exchange rate	0.02	0.13	-
Loss on impairment of asset	-	-	1.38
Amortized interest on hire - purchases	-	15.67	-
Gain on operating before changed in operating assets and liabilities	0.81	0.95	0.94
Decrease (increase) in operating assets	50.37	60.45	94.27
Trade accounts receivable	26.99	-532.21	154.48
Inventories	-246.87	159.92	-117.98
Other current assets	-6.50	27.37	-138.94
Decrease (increase) in operating liabilities			
Trade accounts payable	-104.00	428.80	-293.31
Other current liabilities	42.82	70.75	-138.72
<b>Net cash provided from (used in) operating activities</b>	<b>-237.19</b>	<b>215.07</b>	<b>-440.20</b>
Cash flows from investing activities			
Pledged deposit at financial institution	-265.61	116.47	-57.86
Purchase of property plant and equipments	-84.85	-69.90	-29.59
Guarantee deposit - land sale	-	5.00	10
Disposal of assets	0.52	-	-
Purchase of immovable property	-18.33	-	-
Intangible asset (increase) decrease	-	-	-2.78
Guarantee deposit (increase) decrease	-0.02	-0.28	-0.087
Short term loan to other company (increase) decrease	-0.25	0.25	0
Deferred interest on hire-purchase (increase) decrease	-0.48	-0.19	-
<b>Net cash provided from (used in) investing activities</b>	<b>-369.01</b>	<b>51.35</b>	<b>-80.32</b>
Cash flows from financing activities			
Bank overdrafts and loan from finance institutions	454.23	-169.84	350.80
Received advances and loan from related parties	512.53	376.48	-
Repayment advances and loan from related parties	-513.65	-441.04	-
Payable under hire - purchase increase (decrease)	-4.33	-4.02	-2.78
Increase capital	150.00	-	-
Deividend paid	-	-	0
<b>Net cash provided from (used in) financing activities</b>	<b>598.78</b>	<b>-238.42</b>	<b>348.02</b>
<b>Net cash on hand and cash equivalents increase (decrease)</b>	<b>-7.42</b>	<b>28.00</b>	<b>-6.78</b>
Cash on hand and cash equivalents as at the beginning	14.72	7.30	35.30
Cash on hand and cash equivalents as at the ending	7.30	35.30	28.52

**Financial ratio**

	2004	2005	2006
<b>Liquidity Ratio</b>			
Current ratio (times)	1.16	1.14	1.33
Quick ratio (times)	0.37	0.80	0.84
Cash flow liquidity ratio (times)	-0.49	0.25	-0.44
Receivables turnover (times)	13.00	9.66	7.00
Collection period (days)	27.70	37.26	51.46
Inventory period (times)	8.29	11.10	8.71
Inventory turnover period (days)	43.44	32.43	41.35
Account payable turnover (times)	33.29	18.33	22.56
Payment period (days)	10.81	19.64	15.96
Cash cycle (days)	60.32	50.05	76.85
<b>Profitability Ratio</b>			
Gross profit margin (%)	3.95	2.62	5.04
Net Profit (%)	0.91	0.32	1.88
Return on equity (%)	8.00	3.28	11.01
<b>Efficiency Ratio</b>			
Return on assets (%)	3.28	1.16	4.78
Return on fixed assets (%)	42.02	31.28	58.33
Assets turnover (times)	3.60	3.59	2.55
<b>Financial Ratio</b>			
Debt to equity ratio (times)	1.58	2.07	1.30
Interest coverage (times)	-17.84	11.18	4.01
Dividend payout ratio (%)	-	315.12	-

**Operational results**

Rich Asia Steel Public Company Limited business is being a 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.

In 2006, the company constructed 2 distribution centers in addition, 1 distribution center located in Samut Sakhon province (Phan Tai Norasing) constructed in November 2006 and another located in Ayutthaya province (Wang-Noi) is under construction which will be finished in the second quarter of 2007. The company purchase 1 new machine in December 2006 which fully installed and began operation in January 2007.

The company has launched new product of Angle bar record sales of Baht 11.12 million or approximately 0.26 % of total revenue.



### Sales

Sales for the year ended December 31, 2006 amounted to Baht 4,332.51 million compared to last year's Baht 4,904.96 million. The products sale volume decrease are Square tube, Black steel pipe and Rectangular tube. The revenue from products sale increase compose of Lipped channel and Angle bar.

According to the decreasing of the world steel prices in 2005 thru 2006, the domestic selling prices have been also decreased by 10%-12%. Whereas, the sales volume has been increased by 2%. Due to the decreasing of selling prices, the total revenue in 2006 have been decreased by 11.67%, comparing with the same period in 2005.

### Cost of goods sold

Cost of goods sold was Baht 4,776.30 million, decreased Baht 662.19 million or 13.86% from the same period last year due to the stability of raw materials price in 2006 which result to an efficiency raw material management. Cost of goods sold has been reduced in greater proportion comparing to total revenue, by which cost of goods sold decreased in amount of Baht 662.19 million whereas total revenue decreased in amount of Baht 574.53 million.

### Selling and administrative expenses

Selling and administrative expenses was Baht 84.12 million, increased Baht 4.05 million or 5.06% from the same period last year. The mostly variable costs increasing came from salary, direct labor cost, transportation cost and truck rental.

### Gross margin

Company's gross margin in 2006 was 5.04% comparing to 2.62% gross margin in 2005. The company consider to group of products which had a substantial increased gross margin such as billet with sales volume in 2005 of Baht 183.23 million increased to Baht 316.68 million in 2006 and structural steel with sales volume in 2005 of Baht 375.64 million increased to Baht 634.16 million in 2006. Gross margin of the other group of products were also increased in 2006 due to efficiency inventory management while the price of raw material is more stable than year 2005.

### Net profit

Net profit in 2006 was Baht 81.62 million, increased by Baht 65.75 million or 414.37% comparing with net profit Baht 15.87 million in 2005 which is corresponded from an efficiency management of raw material and selling the products with higher gross margin.

In 2005 the company has booked Loss on impairment of asset amount of Baht 15.67 million, whereas in 2006 has nil. In 2005 the company has booked Allowance for loss on devalue of inventory amount of Baht 12.04 million. Whereas in 2006 has booked for Baht 0.62 million.



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## Financial status

### Assets

As at December 31, 2006 and 2005, the total asset was Baht 1,707.08 million and Baht 1,511.45 million, respectively. The increase of about 12.94 % came mainly from inventories and pledged deposit to bank.

As of December 31, 2006 and 2005, the amount of the inventory were Baht 472.50 million and Baht 343.11 million, respectively, increasing given that the Company's policy is for increase inventory level for the new distribution centers.

As of December 31, 2006, the amount of the accounts receivable were Baht 619.32 million and collection period is 51 days longer than year 2005 by the result of credit term extension to privilege and reliable customer.

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

Provision is made of accounts receivable amounts outstanding over 12 months and 100% amount which the management believe may be doubtful.

For non-current assets, Land building and equipment was Baht 177.21 million, increased by Baht 7.84 million. Pledge deposit to bank increased from Baht 149.14 million in 2005 to Baht 207 million in 2006.

### Liquidity

According to various of product sizes and types procurement and company policy to maintain minimum 1 month stock of inventory for the purpose of efficiency respond to customer requirement. The company purchase raw material in cash, produce and sell finished product in credit term condition, therefore, the company require huge amount of working capital from both company shareholders' equity and financial institution for inventory management.

At the end of year 2006, the company had cash and cash equivalents about Baht 28.52 million, declining Baht 6.78 million from last year. As a consequence of the company generated cash flows from Operating Activities decreased Baht 440.20 million from the last year. Meanwhile, cash flows used in Investing Activities amounted to Baht 80.32 million, compared with cash flows provided from Investing Activities for Baht 51.35 million in 2005. Part resulted from the company acquired more plant, property,



and equipment. Moreover, cash flows provided from Financing Activities was Baht 348.02 million, due to increased short term loans and overdraft at Baht 350.80 million and dividend payment at Baht 50 million.

### Source of Financial Capital

#### Liabilities

As at December 31, 2006, total liabilities were Baht 965.51 million, the 5.31% decrease was due to return to account payables amount Baht 291.94 million. There was an decrease in other current liabilities amount Baht 108.71 million, whereas increase in short term loans and overdraft amount Baht 350.80 million for raw material procurement plan.

#### Shareholder's equity

Presently, the issued and fully paid capital of the Company is Baht 500 million, increased from Baht 400 million for 2005. As at the end of 2006, shareholder's equity is Baht 741.57 million, compared to Baht 491.70 million for 2005. This came from the net profit amount Baht 81.62 million for the year 2006 and an increase in its authorized share capital and premium on shares capital amount Baht 118.25 million.

Debt to equity ratio moved from 2.07 times for 2005 to 1.30 times for 2006.

#### Audit Fees

Thammakarn Accounting Office is an independent auditor whom doesn't have any relationship with the company. The audit fees in 2006 is Baht 350,000 per year and the financial review is Baht 55,000 per quarter.

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

1. Volatility of world steel prices is a significant factor effect to domestic steel prices which cause the different performance from making decisions on investment. To deal with this volatility, the company has closely monitored and made the best possible decision approach regarding unpredictable steel prices.
2. The company has invested in distribution centers, this investment result to increase construction expense, selling and administrative expenses and also infrastructure utilized expenses which may cause lower company performance in short term, however the



investment is expected to improve to better market penetration, and improve customer service for local markets in long term.

3. The company released credit term extension policy which set for privilege and reliable customer for the purpose of maintain company sale volume. This policy may sometimes cause the cash flow shortfall, however, the company very careful in cash flow, inventory and also account receivables management.

## Industry Situation and Trend

### Steel pipe situation in 2006

The consumption quantity in 2006 is minor decelerated compare to the previous year, due to domestic economic situation caused by high level interest rate, inflation, internal political changing. Major projects in construction sector especially property is decelerated, pipe production also reduced and more competitive in pricing.

Steel price changing which effected to the cost of product of pipe is HRC price. Average HRC price in the world market increase from USD458/Ton in 2005 to USD493/Ton in 2006 or 7.55% which the result of steel demand increasing in U.S.A. and Europe.

International Iron and Steel Institute ranked major raw steel producer as follows China, Japan, U.S.A., Russia, South Korea, Germany, India, Ukraine, Italy and Brazil, China has increased steel exporting into world market in 2005 with the capacity above 30% and forecast that supply of steel will be increased in 2007 but depend on world's demand and supply.

### 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. In 2007 are forecasted that steel pipe industry's growth would be the same trend of world market and domestic steel pipe consumption would be stable or slightly increased. Steel pipe production would be stable which caused by political changing and property investment slow down. But demand of steel pipe for restoration housing and infrastructure, i.e. bridge, road after flood damages in many part of the country, may be increased. However, the government still maintain Mega projects to boost up overall economics. Forecast of Steel pipe export would be decreased due to U.S.A., major importer of steel pipe from Thailand, taken Anti-Dumping measurement to European and Asian country, as well as consumption in EU decrease. The government of China announce to gain export tax of 10% for semi-finished steel products (i.e. slabs) from their exporters which in force from November 1, 2006 and this would be additional cost to the Thai steel manufacturer whose import slab for raw material and produce to HRC.



Resume of Directors and Managements of Rich Asia Steel Public Company Limited as of December 31, 2006

Name Age / Position	Education	Relationship with Other management	* % of Total Voting Right	Experience		Lawsuit during 5 years
Gen. Naruedol Dejpradiyuth Age : 69 Chairman of Audit Committee	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. Angkarn Tantiviroon Age : 42 Chief Executive Officer	Bachelor Degree Business and Finance Hasting College UK. University  Director Accreditation Program (DAP) 51/2005	Granddaughter of Mrs. Phimsiri Keeratithiansiri	5.63%	1 Oct. 2005 - Present  10 May. 2004 – 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 : 56 Director	Diploma Degree Accounting Bangkok Business College  Director Accreditation Program (DAP) 51/2005	Aunt of Ms. Angkarn Tantiviroon	15%	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 : 43 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 Vongsarajana Age : 44 Managing Director	Bachelor Degree Business Administration Bangkok University (First Honor)  Director Accreditation Program (DAP) 51/2005	-None--	0.80%	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 : 51 Audit Committee	Bachelor Degree Business Administration Ram Kham Haeng University  Director Accreditation Program (DAP) 52/2005	-None--	-None--	27 Jan. 2006 - Present  2545 - Present  2542-2544	- Audit Committee Rich Asia Steel Public Company Limited  - Head Office Internal Audit Department Manager Siam City Bank PLC.  - AVP. Internal Audit DBS Thai Danu Bank PLC.	-None-
Mr. Supanat Chuchinprakarn Age : 45 Audit Committee	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-
Mr. Teera Phoncharoensuk Age : 36 Director / Manufacturing	Bachelor Degree Engineering King Mongkut's University of Technology Thonburi  Director Accreditation Program (DAP) 51/2005	-None--	0.60%	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	-None-



Name Age / Position	Education	Relationship with Other management	* % of Total Voting Right	Experience		Lawsuit during 5 years
					GT Steel Works Co., Ltd. (Produce and sell steel bars and scrap)	
Mr. Songdech Atimethin Age : 52 Marketing Director	Bachelor Degree Economics Ram Kham Heang University	-None--	0.60%	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 : 39 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--	0.60%	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-
Mr. Somphon Srisumran Age : 36 Asst. Accounting Department Manager	Bachelor Degree Accounting Kasam Bundit University	-None--	0.10%	16 Jan. 2007 - Present 4 Nov. 2005 – 15 Jan. 2007 3 Jun. 2002 – 3 Nov. 2005 1999 – 2002	- Assistant Accounting Manager Rich Asia Steel Public Company Limited - Chief of Accounting Department Rich Asia Steel Public Company Limited - Accountant Rich Asia Steel Public Company Limited - Accountant J & J Marine Foods Co.,Ltd. (Shrimp Frozen)	-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 as of December 31, 2006

Name	Rich Asia Steel Public Company Limited (Produce, Supply, Sell Steel )	Team Vis Construction Co.,Ltd. (To contract for a building)	Team Electric Engineering Partnership (Install Electrical system, Air-condition system, and Communication system)	Siam Ferro Industry Co., Ltd. (Produce and Sell steel pipe)
1. Gen. Naruedol Dejpradiyuth	X, N	-	-	-
2. Mrs. Phimsiri Keeratithiansiri	/	-	-	-
3. Mr. Rittirong Intarajinda	/	///	I	-
4. Ms. Angkakarn Tantiviroon	/,V,U	-	-	Plan Administrator
5. Mr. Somkiat Vongsarojana	/,///, Z,U	-	-	-
6. Mr. Teera Phoncharoensuk	/,Z,U	-	-	-
7. Mr. Surapong Churangarit	//	-	-	-
8. Mr. Supanat Chuchinprakarn	//	-	-	-
9. Mr. Songdech Atimethin	Z,U	-	-	-
10. Mr. Ream Saijam	Z,U	-	-	-
11. Mr. Somphon Srisumran	U	-	-	-

Remark:

X = Chairman

N = Chairman of Audit Committee

V = Chief Executive Officer

/ = Director

// = Audit Committee

/// = Managing Director

I = Manager Partner

Z = Board of Director

U = Executive Management

# Appendix

Financial Statements

For the year ended December 31, 2006

## INDEPENDENT AUDITOR'S REPORT

To the shareholders of Rich Asia Steel Public Company Limited.

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

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

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

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



(Mrs. Supreeya Saengudomlert)

Certified Public Accountant No. 811

Bangkok

February 26, 2007.

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

Balance Sheet

As of December 31, 2006 and 2005

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

Notes to the financial statements are an integral part of these statements

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

Balance Sheet

As of December 31, 2006 and 2005

-----

Liabilities and Shareholders' Equity

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

Notes to the financial statements are an integral part of these statements

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

Statement of Income

For the years ended December 31, 2006 and 2005

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

Notes to the financial statements are an integral part of these statements

Rich Asia Steel Public Company Limited  
(Former name "Rich Asia Trading (Thailand) Company Limited")  
Statement of changes in Shareholders' Equity  
For the years ended December 31, 2006 and 2005

(Unit : Baht)

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

Notes to the financial statements are an integral part of these statements

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

Statement of Cash Flows

For the years ended December 31, 2006 and 2005

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

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

Statement of Cash Flows

For the years ended December 31, 2006 and 2005

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

Additional Information :

1. Cash paid during the period for
 

Interest paid	39,961,933.61	23,616,885.18
Withholding tax	33,231,473.40	25,407,903.49
  
2. In 2005 - The Company signed a car (personal car) hire - purchase contracts amounted Baht 1,682,682.00 the first down payment amounted Baht 388,410.00, the remaining balance agreed to be paid 36 periods, each period of Baht 35,952.00
3. In 2006 - The company has received post date cheque for land from Desinchai Co., Ltd. amounted Baht 30,000,000.00 which stated in buying and selling land contract, according to notes to the financial Statement No 8. and has already received of Baht 10,000,000.00
4. in 2006 - The Company signed purchase foreign currency forward contracts with a commercial bank amounted USD 3.09 million. Maturity in 2007

Notes to the financial statements are an integral part of these statements

Rich Asia Steel Public Company Limited.

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

Notes to the Financial Statements

As at December 31, 2006 and 2005.

---

1. General Information

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

1.2 Company location Head office : 272 Watchannog Lane, Phraram 3 Road, Kwaeng Bangkoleam, Khet Bangkoleam, Bangkok.

Branch 1 : 64/7 Moo 1 Phraram 2 Road, Thambon Khogkrabuo, Amphur Moungsamuthsakorn, Changwat Samuthsakorn .

Branch 2 : 33/8 Moo 5 Tepharak Road, Thambon Bangpleeyai, Amphur Bangplee, Changwat Samuthprakarn.

Branch 3 : 207/1 Moo 3 Thambon Lumsai, Amphur Wangnoi, Changwat Pranakornsriayudhaya

Branch 4 : 116/7 Moo 5 Thambon Pantainorasing, Amphur Moungsamuthsakorn, Changwat Samuthsakorn

1.3 Type of business Distribution of steel pipe and steel products

Dec. 31, 2006

Dec. 31, 2005

1.4 Number of employees (Persons) 122 89

1.5 Personnel expenses (Million Baht) 28.45 20.28

2. Significant accounting policies

2.1 Basis for preparation

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

2.2 Accounting estimation

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

2.3 Revenue realization

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

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

2.4 Cash and cash equivalents

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

2.5 Allowance for doubtful accounts

Allowances for doubtful accounts are based on historical collection experience.

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

Finished goods on FIFO basis.

Raw material FIFO basis.

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

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

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

2.9 Financial leased

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

2.10 Foreign currency conversion

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

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

2.11 Basic earnings per share

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

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

Number of weighted – average shares

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

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

$$\text{Total} = \underline{\underline{435,342,465}} \text{ shares}$$

3. Cash and cash equivalents consist of :

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

4. Trade accounts receivable - net consist of :

Trade accounts receivable were classified as follows :

Trade accounts receivable and post-dated cheques – related parties

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

Trade accounts receivable and post-dated cheques – other

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

5. Inventories - net consist of

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

6. Other current assets consist of

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

7. Pledged deposit at financial institution

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

8. Investment in immovable property

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

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

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

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

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

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

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

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

10. Intangible asset consist of :

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

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

11. Other non-current assets consist of :

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

12. Overdrafts and loans from finance institutions consist of :

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

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

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

13. Guarantee deposit – land sale

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

14. Other current liabilities consist of :

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

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

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

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

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

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

16. Capital stock

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

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

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

17. Dividend

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

18. Legal reserve

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

19. Directors' remuneration

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

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

20. Other incomes consist of :

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

21. Other expenses consist of :

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

22. Provident Fund

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

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

23. Obligations and contingent liabilities

As at December 31, 2006 and 2005.

23.1 The Company provided letter of guarantee from a commercial bank for submission to a company for electricity supplies of Baht 800,000 by using directors' saving account guaranteed.

23.2 The Company had contingent liabilities on undue letter of credit for goods acquisition amounted Baht 207,227,175.65 and Baht 346,390,044.34 respectively.

23.3 As at December 31, 2005, the Company had contingent liabilities on undue checks discounted amounted Baht 21,271,377.04.

23.4 As at December 31, 2006, the Company had contingent liability by pledge the undue cheques as collateral of bank loan amounted Baht 87,695,157.88

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

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

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

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

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

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

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

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

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

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

24. Financial information by segment

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

25. Financial instruments

25.1 Policy to manage financial risks

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

25.2 Risk on interest rate

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

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

25.3 Risks on exchange rates

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

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

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

25.4 Credit Risk

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

25.5 Fair value

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

26. Related parties Transactions

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

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

Type of its related parties

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

The balance with related parties are as follows :

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

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

Revenue and expense occurred with related parties as follows :

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

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

27. Reclassification of accounting items

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

28. Financial statements approval

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



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