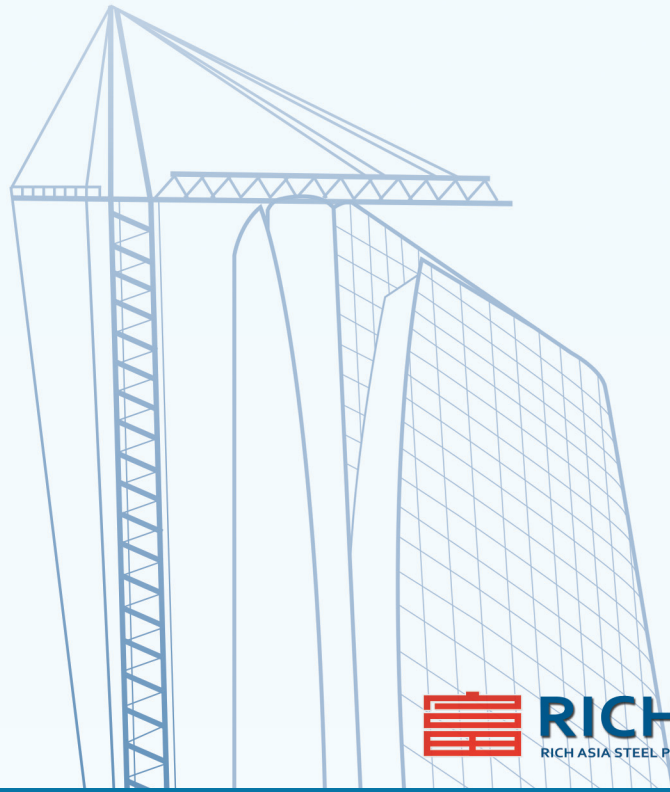
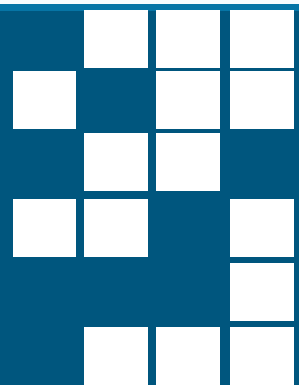
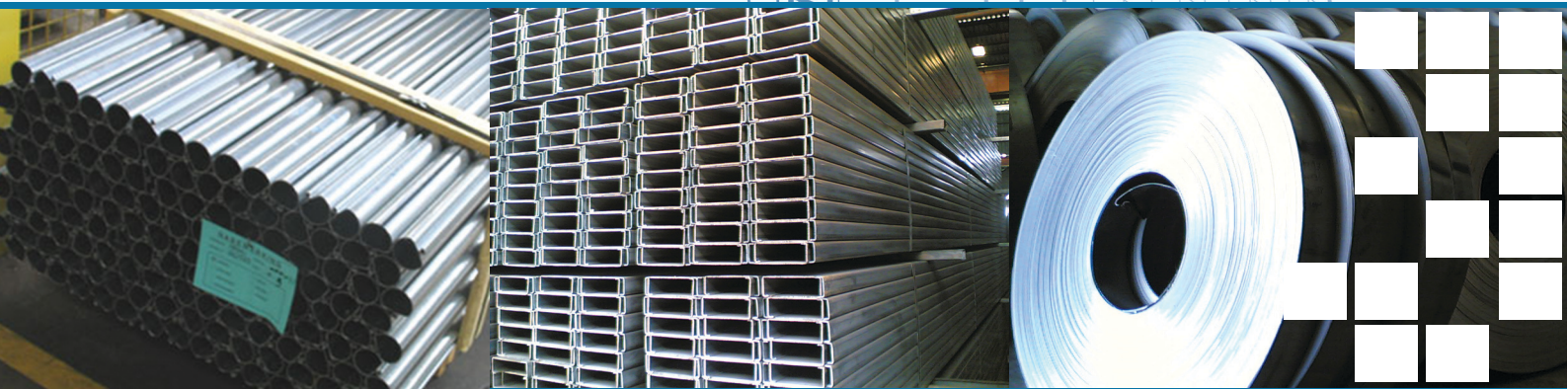


# 2013 ANNUAL REPORT

รายงานประจำปี 2556



**RICH ASIA**  
RICH ASIA STEEL PUBLIC COMPANY LIMITED





## Contents

Message from Board of Directors	1
Board of Directors	2
Executive Committee	3
Audit Committee Report	4
Policy and Overview of Business	6
Nature of Business	13
Risk Factors	31
General and Others Substantial Information	34
Shareholders	37
Dividend Payment Policy	37
Management Structure	38
Corporate Governance	45
Corporate Social Responsibility	62
Internal Audit and Risk Management	64
Related Parties Transactions	66
Financial Highlights	70
Management's Discussion and Analysis (MD&A)	71
Resume of Directors and Managements	82
Report of Board of Director's Responsibilities to Financial Statements	89

## Appendix

Financial Statements of the Company and its subsidiaries for the year ended  
December 31, 2013



## Message from Board of Directors

Overall business operations of the company in 2013 has adapted in a better direction. In the first half, income revenue and production have expanded moderately as a result of government policy to stimulate the economy, particularly investment in such infrastructure and improvement railway routes in various projects throughout the country. Related industries including the construction industry and property sector are also affected by a virtue of the growth of such policies. In the second half, even though the company's business will be affected by the unrest of some political events, the Subsidiaries also have investment to expand its products range of which such investment will enable the Company to recognize revenue increased dramatically in 2014. Further that the company has also negotiated the financial restructuring with financial institutions successfully as well.

Business operation of the company in 2014, the company has set a goal to raise capital from investors who interested in the business of the Company and subsidiaries in order to restructure the company's financial strength and increase competitiveness. The subsidiary would also have to invest more to expand capacity and increase revenue to the Company and its subsidiaries continually. The company confided that if the Company can manipulate as targeted goal, the Company's performance will be improved certainly.

Lastly, the Board of Directors would like to thank all parties who are involved and collaborate to achieve its goals including shareholders, customers and financial institutions and business partners for good supports to the Company.



General

(Watanachai Chaimuanwong)

Chairman



(Ms. Angkarn Tantiviroon)

Chief Executive Officer



## BOARD OF DIRECTORS



General Watanachai Chaimuanwong  
Chairman  
(Independent Director)



Mr. Surapong Churangsarit  
Vice Chairman /  
Chairman of Audit Committee  
(Independent Director)



Pol.Lt.Gen. Mongkol Kamolbutra  
Independent Director /  
Audit Committee  
(Appointed on February 27, 2013)



Asst.Prof.Dr. Nakhun Thoraneenitiyan  
Independent Director /  
Audit Committee



Ms. Angkarn Tantiviroon  
Director



Mr. Somkiat Vongsarajana  
Director



Mr. Teera Phoncharoensuk  
Director



Dr. Rittirong Intarajinda  
Director



Mrs. Phimsiri Keeratithiansiri  
Director



## EXECUTIVE COMMITTEE



Ms. Angkarn Tantiviroon  
Chief Executive Officer



Mr. Somkiat Vongsarajana  
Managing Director



Mr. Teera Phoncharoensuk  
Production Director



Mrs. Nusara Taravanich  
Chief Financial Officer



## Audit Committee Report

At present, Audit committee of Rich Asia Steel Public Company Limited consisting of 3 independent directors as follows:

- |  |                                  |
|--|----------------------------------|
| 1. Mr. Surapong Churangsarit             | Chairman of Audit Committee      |
| 2. Pol.It.Gen. Mongkol Kamolbutra *      | Audit Committee                  |
| 3. Asst.Prof. Dr. Nakhun Thoraneenitiyan | Audit Committee                  |
| and Mr. Vorapoj Chaisantana              | Secretary to the Audit Committee |

Remark \* Director has been appointed in the Meeting of Board of Directors No. 1 / 2013 on February 27, 2013 as Independent Director and Audit Committee.

The Audit Committee has followed and responsible for assigned functions. The mission and major responsibilities has included reviewing financial statements to be conformed with accounting standards and adequately information disclosure, reviewing systems of internal control and appropriated internal audit, review the company's compliance with applicable laws and principles of corporate governance in order to avoid the conflict of interest and consider for the accuracy and complete disclosure of related transaction including consideration the appointment of Certified Public Accountant (external auditor) for the company.

For the fiscal year ended December 31, 2013, The Audit Committee has organized 4 times meetings to consider and review company's activities as followings.

Audit Committee	Attending Meeting / Total Meeting
Mr. Surapong Churangsarit	4/4
Pol.It.Gen. Mongkol Kamolbutra	3/3
Asst.Prof. Dr. Nakhun Thoraneenitiyan	4/4

1. Reviewed company's quarterly and audited financial statements of 2013 which have reported financial status and operation in 2013 and related transactions as stated in financial statement including management's clarification prior submission to the Board of Directors. The financial statements are stated in general accepted accounting principles and carried out an adequate information disclosure.



2. Reviewed the reasonability of related transactions and the operation transactions between company with related person and/or business which have been expressed a normal and general business transaction according to business necessity and company's optimized benefit.
3. Approved annual internal audit plan and quarterly review audit operation, audit report, progress of operation plan and viewed that company has an adequate, appropriate and efficient internal audit system.
4. Assess the adequacy of the company's internal control system by considering with Management and viewed that company has an adequate, efficient internal control system. The company has development and adjustment according to current circumstances and no significant errors occurred.
5. Examined company's risk management and advised the Management periodically and frequently to review and improve risk management plan to be in accordance with any change of circumstances.
6. Examined company's compliance with of Securities and Stock Exchange (SET) law and other laws relevant to company's business.
7. Advised the Management on focusing fully good corporate governance pursuant to regulations of Stock Exchange of Thailand in order to confirm confidence to the shareholders and all concerned parties.
8. Selected and proposed to the Board of Directors for submission to the Shareholders meeting's approval to nominate Mr. Boonlert Kaewphanpurk CPA No. 4165 of BPR Audit and Advisory Co., Ltd. and/or Ms. Maliwan Pahuwattanakorn CPA No. 4701 of NPS Siam Audit Limited as the company's auditor for the year 2014 and setting up the auditing fee of Baht 1,210,000 exclusive of others audit expenses, i.e. traveling expense, stamp duty, preparation of financial statements expense (if any). The proposed rate is the same rate of auditing fee in 2013.

The Audit Committee has carefully examined the works under responsibility and providing advice to the company and company's management has given good cooperation and solving within an appropriate period. The Audit committee has conclusion that the company conform a good corporate governance and adequate internal control system including company's financial report audited by the Certified Public Accountant are in general accepted accounting principles and carried out an adequate information disclosure.

Mr. Surapong Churangsarit

Chairman of Audit Committee



## Policy and Overview of Business

### *Vision*

*To be leading manufacturer and distributor of quality construction products and being international recognition.*

### *Mission Strategy*

*Produce and distribute international standard quality products to gain satisfaction from business partners and all concerned parties including promote and preserve the good quality social and environment.*

### *Strategy*

- 1. Develop production system to achieve the international standard quality.*
- 2. Enhancing satisfaction to business partners and stakeholders.*
- 3. Develop employee's competency and life quality to work with happiness.*
- 4. Promote conservation of energy and environment including establish good relationship with community.*
- 5. Develop management system with transparency.*

### Background

Rich Asia Steel Public Company Limited was established by Thai and Hong Kong investors on May 10, 1999 as Rich Asia Trading (Thailand) Co., Ltd., with an initial registered capital of Baht 1.00 Million. The Company aimed to provide and distribute steel products by trading and contracting other manufacturers to produce steel products for the Company. In 2003, the Company has expanded its business to be a manufacturer of structural steel products and the Company increased registered capital to Baht 250 million providing that to purchased machinery to support production and sales increased. In 2004 increased registered capital to Baht 400 million providing that to purchased machinery, investment in distribution center for supporting the growth of sales. In 2006 The Company being listed in the Stock Exchange of Thailand and increased registered capital to Baht 500 million for business expansion, investment of land, plants, machinery for industrial structural steel and for working capital. In 2007 increased registered capital of Baht 1,000 million to support expansion of sales and working capital and in 2012 has increased registered capital of million Baht 4,000 with the purpose to increase the company's and/or subsidiaries' financial liquidity and operating potential.

Currently, the company has paid-up share capital of Baht 1,002,913,226. The business has managed by Miss Angkarn Tantiviroon, who has majority proportion 7.91% of issued and paid-up capital. The total production capacity is 118,200 tones per year. In 2013, the company has portion of





revenue from trading, Hiring other steel plants and manufacturing, ratio was 89.21, 4.03 and 6.76 of the revenue from the sale.

The Company's 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."
- Increased registered capital from Baht 400 million to Baht 500 million and changed par value from Baht 100.00 to Baht 1.00 each which resulted in an increase in the number of ordinary shares from 400,000,000 shares to 500,000,000 shares and converted the company to be public company with the intention to be listed on the Stock Exchange of Thailand.
- August - Listing date as at 31 August 2006 (Trading commencement on 31 August 2006 by Initial Public Offering totaling 100 million shares)
- October - Achieved the approval certificate from Thai Industrial Standards Institute 107-2533 for Hollow structural steel.



- 
- November - Achieved the approval certificate from Thai Industrial Standards Institute 1228-2537 Cold-formed structural steel.
- Operated the third local Distribution Center (D/C) at Tambol Pantainorasingh, Amphor Muang Samut Sakhon, Samut Sakhon Province
- 2007 January - Operated the fourth local Distribution Center (D/C) at Tambol Lamsai, Amphor Wangnoi, Ayutthaya Province
- April - Signed agreement for buying land and building at Tambol Bangprong Amphor Muang Samutprakarn Province for set up hot rolling mill.
- June – July - Signed contract for purchasing machine for hot rolling steel.
- December - Increased registered capital from Baht 500 million to Baht 1,000 million for Allocation to existing shareholders 500 Million bath, offering price 2 baht each, par value Baht 1.00 each, the number of registered ordinary shares increased from 500,000,000 shares to 1,000,000,000 shares
- Complete installation of hot – rolling machine and test run for commercial production
- 2008 May - Changed par value of ordinary shares of the company from the value of Baht 1.00 per share to value of Baht 0.10 per share. As a result, the number of ordinary shares of the company were increased from 1,000 million shares to 10,000 millions shares.
- 2008 July - Increasing registered capital from 1,000 millions baht to 1,500 millions baht by issuing new ordinary shares in number of 5,000 millions shares, par value of Baht 0.10 per share for reservation convertible warrants No# 1 which offered to existing shareholders proportionally.
- December - The Board of Directors meeting no. 9/2008 held on 27 December 2008 passed a resolution approving the company's acquisition of ordinary shares of Thai National Product Co., Ltd. in a total amount of 26,100,600,000 shares each of Baht 0.01 par value, representing 100% of Thai National Product Co., Ltd total issued and paid-up shares in the amount not exceeding 650 million baht The company is under request for credit facilities from financial institutes. The company should perform this transaction within June 30, 2009.
- 2009 May - Decreasing registered capital from 1,500 millions baht to 1,000 millions baht due to the cancellation of the issue and offer of warrants to purchase new ordinary shares of the Company No. 1 in the amount of 5,000,000,000 units to the existing shareholders of the Company in proportion of shareholding.



- August - The Board of Directors meeting no. 4/2009 held on 14 August 2009 passed a resolution approving the extension of schedule the Company's acquisition of ordinary shares of Thai National Product Co., Ltd. and the share payment period from ending June 30, 2009 to ending September 30, 2009. The seller group has agreed and not objected to the extension of schedule as mentioned here above. The seller group reserve the right in case of they can sell such shares to the other persons who offer the higher price. In case of termination the transaction, the seller group maintains the condition of return deposit in full amount of 200 million Baht within 60 days without interest charge commencing from the date of termination.
- November - The Board of Directors meeting no. 5/2009 held on 14 November 2009 passed a resolution approving the extension of schedule the Company's acquisition of ordinary shares of Thai National Product Co., Ltd. and the share payment period from ending September 30, 2009 to ending February 28, 2010. The seller group has agreed and not objected to the extension of schedule as mentioned here above. The seller group reserve the right in case of they can sell such shares to the other persons who offer the higher price. In case of termination the transaction, the seller group maintains the condition of return deposit in full amount of 200 million Baht within 60 days without interest charge commencing from the date of termination.
- 2010 April - The Meeting of the Board of Directors no. 3/2010 held on April 2, 2010 has resolved to approved the extension of schedule the Company's acquisition of ordinary shares of Thai National Product Co., Ltd. and the share payment period from end February 28, 2010 to be ended May 31, 2010. The seller group has agreed and not object to the extension of schedule as mentioned here above. The seller group reserve the right in case of they can sell such shares to the other persons who offer the higher price. In case of termination the transaction, the seller group maintains the condition of return deposit in full amount of 200 million Baht within 60 days without interest charge commencing from the date of termination.
- May - The Company has obtained credit facilities support and performed investment transaction in Thai National Product Co., Ltd. by acquisition of ordinary shares in a total amount of 26,100,599,998 shares each of 0.01 Baht par value representing 100% of Thai National Product Co., Ltd. paid-up capital and has registered as shareholder in Thai National Product Co., Ltd. with the Registrar,



- Business Development Department, Ministry of Commerce. Hence the company has negotiated and agreed to purchase ordinary share at the price Baht 635.00 Million.
- December - The Meeting of the Board of Directors No.8/2010 held on December 23, 2010 has resolved to approved the Company's acquisition of ordinary shares of Siam Ferro Industry Co., Ltd. in a total amount of 10,954,556 shares each of Baht 100 par value, representing 76.88%of Siam Ferro Industry Co., Ltd.'s total issued and paid-up capital, at the price of Bt.73 each, in the total amount of Baht 799,682,588.
- 2011 March - Registration of the alteration of par value from the existing par value of Baht 0.10 (Ten Satang) each of 10,000,000,000 shares (Ten thousand million shares) to be at the par value of Baht 1 (One baht) each of 1,000,000,000 shares (One thousand million shares) and the amendment of Clause No. 4 of the Company's Memorandum of Association in accordance with the alteration of the par value and number of the Company's shares.
- Increase of the Company's registered capital from Baht 1,000,000,000 to Baht 1,500,000,000 by issuing 500,000,000 new ordinary shares at a par value of Baht 1.00 to reserve for the company and subsidiaries' working capital and / or to reserve for business expansion of the company and subsidiary company.
- August - Officially closed the factory and distribution center located on 64/7 Moo 1, Rama 2 Road, Tambol Kok-krabue, Amphur Muang Samutsakorn, Samutsakorn due to the rental contract was expired and there was no extension.
- December - The Meeting of the Board of Directors No.8/2011 held on December 2, 2011 passed a resolution approving the sale of partial ordinary shares of Siam Ferro Industry Co., Ltd. ("Ferro") held by the Company in a total amount of 3,562,106 shares each of Bt. 31 par value, representing 25.00% of Ferro's total issued and paid-up capital, at the price of Bt. 80 each, in the total amount of Bt. 284,968,480 to Wealth Fortune Assets Ltd total of 2,849,685 shares and Mr. Sunthorn Chitboonthaweek total of 712,421 shares.
- 2012 March - Officially closed the distribution center located at 33/8 Moo 5, Tambol Bangpleeyai, Amphur Bangplee, Samutprakarn 10540 due to the company has terminated the land and building lease agreement.
- July - Decrease the registered capital from Baht 1,500,000,000 to Baht 1,000,000,000 by deducting the unissued registered shares of 500,000,000 shares with the par value of Baht 1.00 per share before increase the new capital.



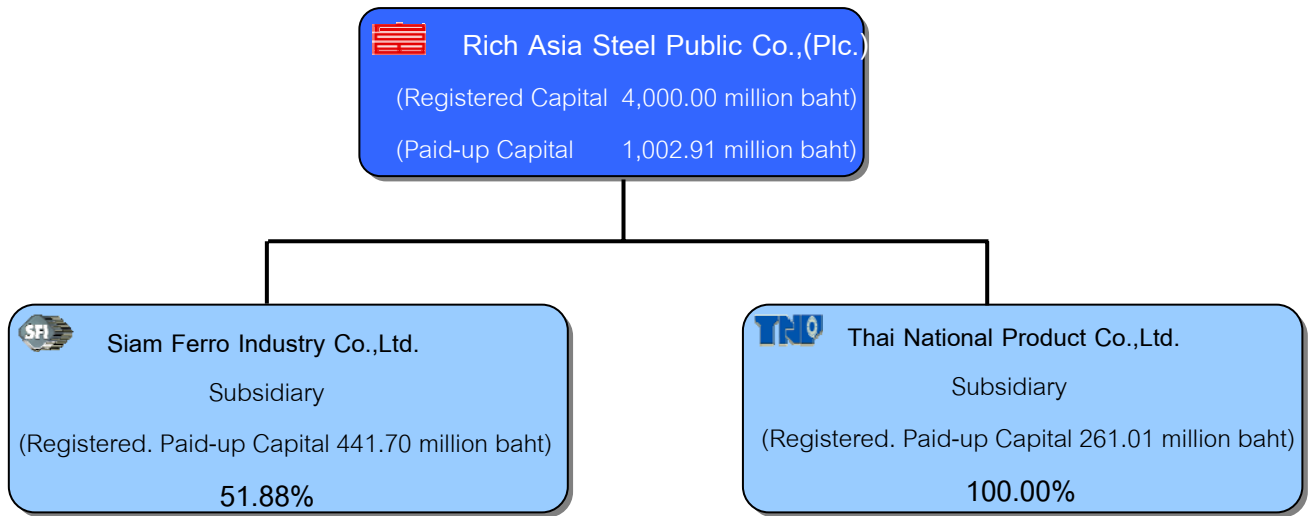
- August - Increase the registered capital from Baht 1,000,000,000 to Baht 4,000,000,000 by issuing 3,000,000,000 new ordinary shares with the par value of Baht 1.00 per share which consists of issue and offer 2,000,000,000 new ordinary shares to the existing shareholders and reserve for exercising the right of Warrant-PP allotted to through private placement the lenders who agrees to grant loan to the Company and/or its subsidiaries in the amount of not exceeding 1,000,000 shares.
- September - Registered the paid-up capital from Baht 1,000,000,000 to Baht 1,002,913,226 and amended Clause No. 4 of the Company's Memorandum of Association with Department of Business Development, Ministry of Commerce.
- October - Officially closed the distribution center located at 207/1 Moo 3, Tambol Lamsai, Amphur Wangnoi, Ayudhaya 13000 due to the Company has sold such property to the third party.
- December - Relocate Head Office from 272 Soi Wat Channok, Rama III Road, Bangkorlaem, Bangkok 10120 to 636 Bangkhuntien-Chaitaley Road, Thakham, Bangkhuntien, Bangkok 10150 due to the rental contract was expired.
- 2013 November - Mr. Prapat Chongsanguan, governor of State Railway of Thailand and Management team has visited Thai National Product Co.,Ltd. factory (Subsidiary of Rich Asia Steel Public Company Limited.) which has diversified a new product : "Concrete Sleepers".

#### Structure of shareholding in Subsidiaries.

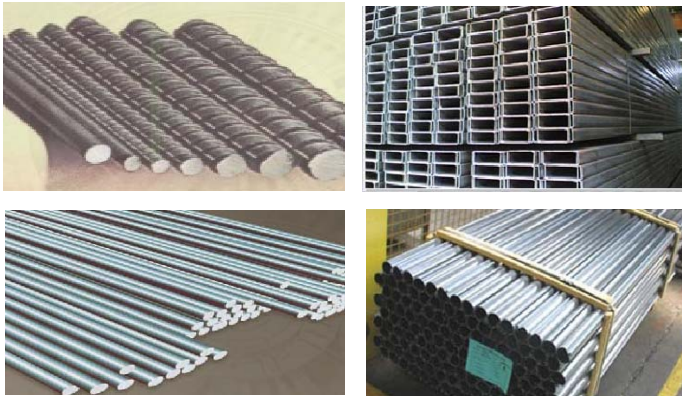
The Company has two subsidiaries, which are Siam Ferro Industry Co., Ltd. operated in business of manufacturing and distribution of structural steel, steel pipes and services in steel pipe manufacturing, which is related in the current business for enhance the production and distribution and support customers' demand immediately and Thai National Product Co., Ltd., which operates in spun piles manufacturing and piles driving. Currently, Thai National Product Co., Ltd. Has diversified a new concrete product: Concrete Sleepers which will be used the projects of State Railway of Thailand in Sleepers substitution throughout the country.



Chart of shareholding in subsidiaries as below:



Steel Industry



Pile Industry





## Nature of Business

Rich Asia Steel Public Company Limited is a trader and distributors of various types of steel products including raw materials and finished products. The finished products are composed of structural steel pipes, hot rolled coil and sheets, billets, and others as well as being manufacturer and distributor of steel pipe and C-channel with company's policy of being a manufacturer, trader and distributors 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 management, which could supply promptly the required quality and quantity to customers.

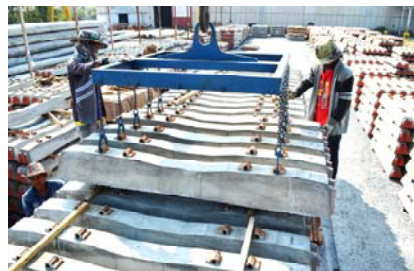
The subsidiary companies's nature of business

### 1) Thai National Product Co.,Ltd. (TNP)

Thai National Products Co., Ltd. has established in 1990, operate in spun pile manufacturing with transport and pile driving services at the maximum capacity of 480,000 tons per year, TNP located in Sainoi District, Nonthaburi Province, current registered capital is 261 006 000 Baht which fully paid up and 100% held by the company.



TNP has been trusted from government and private sectors to construct and drive spun pile foundation in the variety large projects, such as electric train, power plants, bridges , express way, office building, factories and other buildings.



In 2013 TNP has diversified new business to concrete railway sleepers products. In order to support the government policy for improvement the unsafe railway throughout the country by replacing from wooden sleepers to concrete sleepers, including concrete sleepers usage in other projects such as



double railroad. The company has additional investment in new plant and tested new products in end of 2013 and start distribution in January 2014.

However, major raw material cost in spun pile production is steel which can support the business between the companies as well.

## 2) Siam Ferro Industries Co., Ltd. (SFI)

Siam Ferro Industry Co., Ltd. has established in 1993, operate in steel pipe and C-channel manufacturing and distribute various kinds of steel products including manufacturing service. SFI located in Muang Samut Sakhon district, Samut Sakhon province, Current registered capital is 441,701,237.00 Baht which fully paid up and 51.88% held by the Company.



The nature of business of each's product line can be classified as follows.

### [Group of Structural steel products and steel products](#)

#### 1. The characteristics of products and services

The Company and subsidiary are provider of products and services for distribution to customers by the both procuring from the purchase, hiring production and manufacturing as following:

##### Products and services from the purchase or hire production

The Company and subsidiary procured steel products for trading by purchasing hiring other steel plants to produce and own manufacturing are as follows:

#### 1) Structural Steel Pipe

Steel pipes and Lip channel structural steel, the company procure the structural steel by hiring and orders from other manufacturers or distributors (see details on the topic, procurement of raw materials and products), by pipe steel products that the company provides the main hiring contractors are 3 types such as Square Tube, Black Steel Pipe and Rectangular Tube, size standard length of 6 meters diameter from ½ "- 8" and has a thickness ranging from 1.00 to 4.50 mm, In addition the Company also provide products from procurement to be sold to customers to cover the demand in the market both for building structures and various pipeline liquids.





## 2) Hot Rolled Steel Coil and Sheets

Company provide the hot rolled coil steel both roll type and plate type by order from the distributor of manufacturer to customers such as wholesaler and manufacturer, which will be used in various industries such as construction industry, automotive industry, the furniture industry, etc.

Hot-rolled steel plate product that the company distribute thickness 1.20 – 12.0 mm and size according to customer's requirements Hot rolled steel plates that the company distribute to a hot rolled coil steel, the general level of quality that suitable for use in various types of construction, dock, heavy industries such as machinery in sugar factory, oil refinery, etc..

## 3) Billet and other products

In addition to the provide and distribution of steel products, structural steel pipe Lip channel steel, hot rolled coils and steel sheets, the company also provides procurement and distribute of billets steel and other steel products such as steel plate, flat steel, angle steel conduit pipes, water joints, structural steel ,H-shaped, I-shaped, round Bar, steel bar and wire-frange, etc. ,which the most added service to facilitate to customers by policy to provide One-Stop-Service.

### Product and Service from manufacturing

In addition to being a leading provider of distribution. The company has developed the business into a manufacturer to retailer to meet the demands of more customers. The production year 2013 was as follows.

- Rich Asia Steel Public Company Limited , manufacturer and distributor of structural steel, steel processing industry categories.

The company has one factory, fully capacity 90,000 tons per year, manufacture and sale in 2013 between 1 Jan. 2013-14. Mar. 2013, later another company rented a factory to produce, short term contracts 1 year. In order that, due steel industry in 2013 was still in stable condition and production will be provided, which requires quite a lot of working capital, which the Company has determined that the current situation of the appropriate to earn income from rental the factory, thus the operating performance was better than the production. When the situation is in better condition of steel, The company will continue to terminate the contract and the production of customized products.

- Siam Ferro Industry Company Limited. manufacturer and distributor of structural steel Type of steel pipe and Lip channel. The company has one factory, fully capacity 480,000 tons per year.

In 2013 . the company has been approved the establishment of Bonded Warehouse, that can take tax privilege under the Customs Act, which will benefit to company's production and revenue in the future.



Production of the company and subsidiary are as follows:

1. Steel Pipe Production, which the companies manufactures and distribute can be classified into three types: Square Tube, Black Steel Pipe and Rectangular Tube in length. of 6.0 meters and has the following dimensions.

Type of steel	Diameter (inch)	Thickness (mm)
Square Tube	½" x ½" – 2½" x 2½"	1.00-4.50
Black Steel Pipe	½" – 3"	1.00-6.50
Rectangular Tube	2" x 1" – 3" x 1½"	1.20-4.50

2. Lip channel Steel, which the companies manufacture and distribute have size 5"- 8 " thickness 1.60 to 3.20 mm for use in general roof structure.

For products which have the size as the machine can not be produced or the size of product can be produced but unable to produce on time or not worth the cost of the machine to produce products that companies are hiring .

3. Structural industry steel, which steel processing product as the companies manufacture and distribute for use in structural works and construction. The company has a machine with total capacity of 90,000 tons per year.

## 2. Quality of Products

In addition, the importance to procurement the products delivered to customers according to the size, quantity and period of time specified products that are delivered to have quality according to customer requirement. Steel products of the companies that are a quality product by certified quality according to the international standard from both domestic and international as the following :

Standard	Country	Description
TIS. 1228-2016 TIS. 276-1989 TIS. 2771989, TIS. 281-1989 TIS. 107-1990	Thailand	Cold formed structural steel steel pipe Galvanized steel pipe Spiral steel pipe for plumbing and general. Hollow structural steel
ASTM A-120, 35A	U.S.A.	Fluid pipe, gas, air
JIS G 3452	Japan	General black steel pipe
JIS G 3101 SS400 (TIS 1479) TIS. 1479-1998	Japan	Hot-rolled carbon steel sheet, strip, plate and sheet for general and processing



Standard	Country	Description
JIS G 3131 SPHC (TIS 528 HR 1) TIS. 528-1997	Japan	Hot-rolled carbon steel sheet, strip, plate and sheet for general structure.
TIS. 348-1997	Thailand	Low carbon steel wire

The companies have a policy to ensure product quality at all stages starting from inspection of raw materials, such as checking the chemical ingredients and mechanical properties of the material, quality inspection of finished goods to size, form and product quality inspection before delivery to customers to check for damage that may occur from storage, such as rust or dents of the pipe, which the importance to the quality inspection process the product ensures that our customers receive products as the requirement of quality of service provided by the companies.

The companies obtained a license for the standard industrial products TIS No. 107-1990 of hollow structural steel and TIS 1228-2006 of structural steel cold forming on August 20, 2008, and October 30, 2006, respectively.

### 3. Marketing and competitive environment

#### 3.1 Competitive strategy

The companies are planning the competitive strategy in steel products of the companies and its subsidiaries as follow

##### 1) Enhancing variety and completeness of the product

The companies have a policy to provide manufacturing and distribution of various steel products with products a wide range and most comprehensive in order to support the different requirement of customers by the customers do not need to make a purchase from several vendors that can find all types of products from only company (One-Stop-Service) to achieve such goals. The company has relied on production planning, purchasing, and inventory management efficiency by the companies have an advantage in terms of sources of product procurement , that the companies can procure products in a manner of trading, and hiring additional manufacturing of the products that a companies can not be produce that result to the companies can accommodate order for a large number and diverse in terms of size, quantity and quality of raw materials that each customer has different requirements for the purpose of use.

##### 2) Marketing business group

The companies have a policy in distribution and increase group of the customer . The currently, domestic customers are wholesalers group, retail group and the variety industry group of customers in Bangkok, metropolitan area and the provinces.



### 3) Service

The companies focus on services, especially the procurement and delivery of the products to be able to create the highest customer satisfaction of the companies. The Companies also operate capacity sufficient factory party companies to serve orders urgent, so customers can trust that the company is able to supply steel products completely according to the delivery to the Companies also offer fast delivery and on time, which is an important part of time management and transportation costs for the customer and the companies and to make a long-term ongoing relationship with customers. The Companies have prepared the truck for delivery of goods and customer service from factory of contractor for about 30 vehicles for the transport of goods from factories to customers.

### 4) Warehouse management

The companies have a policy to provide the most complete products so as to meet the requirement of customers all the time in the amount of storage to a minimum to reduce the cost of storage products of the companies by the companies have contracted with a factory production contract to procure products for delivery to customers in size or as that a company can not produce include the procurement of the products are delivered on time, that result to the companies do not need a large of storage, or storage in a long period, that to reduce the cost of storage.

### 3.2 The characteristics of the customers and target customers

Currently the main products of the company and subsidiary such as structural steels and hot rolled plates will be used in the primarily of the construction industry, however, in the future, the company aims to expand to customer base to other industry groups to be more focused on the automotive industry, that is an industry that demands high-quality processed steel more than construction industry, that the result to companies can have higher margins.

Therefore, the company's target customers group include distributors steel processing industry. entrepreneur in the construction industry, which is currently the main customer group and the automotive industry include the continual industry, that will bring the company's products are used as raw material in the production, such as

Construction industry: structural, such as beam , sheet flooring, structure building wall and plumbing electrical conduit etc.

Automotive industry : auto parts, such as bumper beams, pickup truck, vacuum trucks, etc.

Furniture industry : parts in manufacturing furniture, such as desks, chairs, cabinets, beds, steel window grills etc.

Electric appliances industry: parts in manufacturing various appliances such as washing machine, air conditioning, generator, etc.



Other industries : Other decorative, such as the fence home, shipyard, building doors, sugar plant machinery, oil refinery, etc.

### 3.3 Distribution and distribution channel

The company provides production and distribution of products , mainly sold through wholesalers that distribute in Bangkok, metropolitan and region of more than 150 vendors for distributed directly to enterprises in the manufacturing sector, which led product of the companies to use as raw material in the production of goods. The portion of the distribution to customers are wholesalers to the customers to become entrepreneurs in the industrial sector is approximately 95 percent: 5 percent.

In order that, the mainly customers of the companies are mostly regular with contact trading for a long time and have a good relationship, by the group of customers of the company classified by the nature of business are as follows

#### 1. Wholesaler

The wholesaler is the main customers of the company and its subsidiaries mainly as the wholesaler in the Bangkok and metropolitan, this group of customers will purchase the products of the companies to sell even to the retailers or manufactures.

#### 2. Retailer

The retail customer group of the company and its subsidiaries based in Bangkok, metropolitan and the provinces. This customer group the company to sell even to consumers directly, which are expected that expand the customer base in more retails.

#### 3. Manufacturers in various industry

The customer in this group such as the construction industry, the automotive industry and furniture industry, this group of customers will purchase the products of the companies to use as raw material in the production of goods, which is mostly enterprises construction and medium-sized factories

### 4. Procurement of products

#### 4.1 Procurement from purchasing or hiring production

1) Structural steel (Structural Steel Pipe), a type of steel pipe and steel structure of lip channel, that the company has been procuring products for steel structure by hiring contractors and factory production with orders from manufacturers or dealers.

#### 2) Hot Rolled Steel Plates and Sheets

The companies procured all types of hot rolled coil and hot roll sheet steel by purchasing from dealers of manufacturing factory and led to distribute to customers.



3) Long product steel (Billet) and other steel products.

The companies procured long product steel, such as steel plate, flat steel, angle steel conduit pipes, joints, structural steel, H-shaped steel, I-beam, round bar, steel bar and wire frange from Suppliers both domestic and abroad.

#### 4.2 Procurement from production

##### Procurement of raw material and products

The company's main products and raw materials such as steel plates, hot rolled steel pipe, lip channel steel, steel products and other types of processing steel such as billet, flat steel, angle steel, conduit pipes, joints and slit steel, etc. The company and its subsidiaries have the procurement of raw materials and the products for trading hiring production and manufacturing.

#### 5. Impact on the environment

The companies has given importance to care and protection of the environment throughout. The companies continue to maintain the level of noise generated by the cutting steels in the safe level, according to law of the Department of Labour and social Welfare and In terms of scrap resulting from cutting metal will be collected for distribution to scrap trader.

The companies have regulations to protect the environment in the production process according to the rules defined field offices by the Department of Industrial Works, Ministry of Industry examines factory and environment and concluded that the results of the inspection, which the companies in the benchmark did not cause any problems to the environment.

Since the opening of the factory The company does not dispute or litigation about building environmental impact and have never been warned or fined by the state agency by law must be followed, including the Company. Factory Act 1992 and Environmental Protection Act 1992 and also received a license from the Department of Industrial Works, especially since the opening of the business.

#### [Group of pile and concrete product](#)

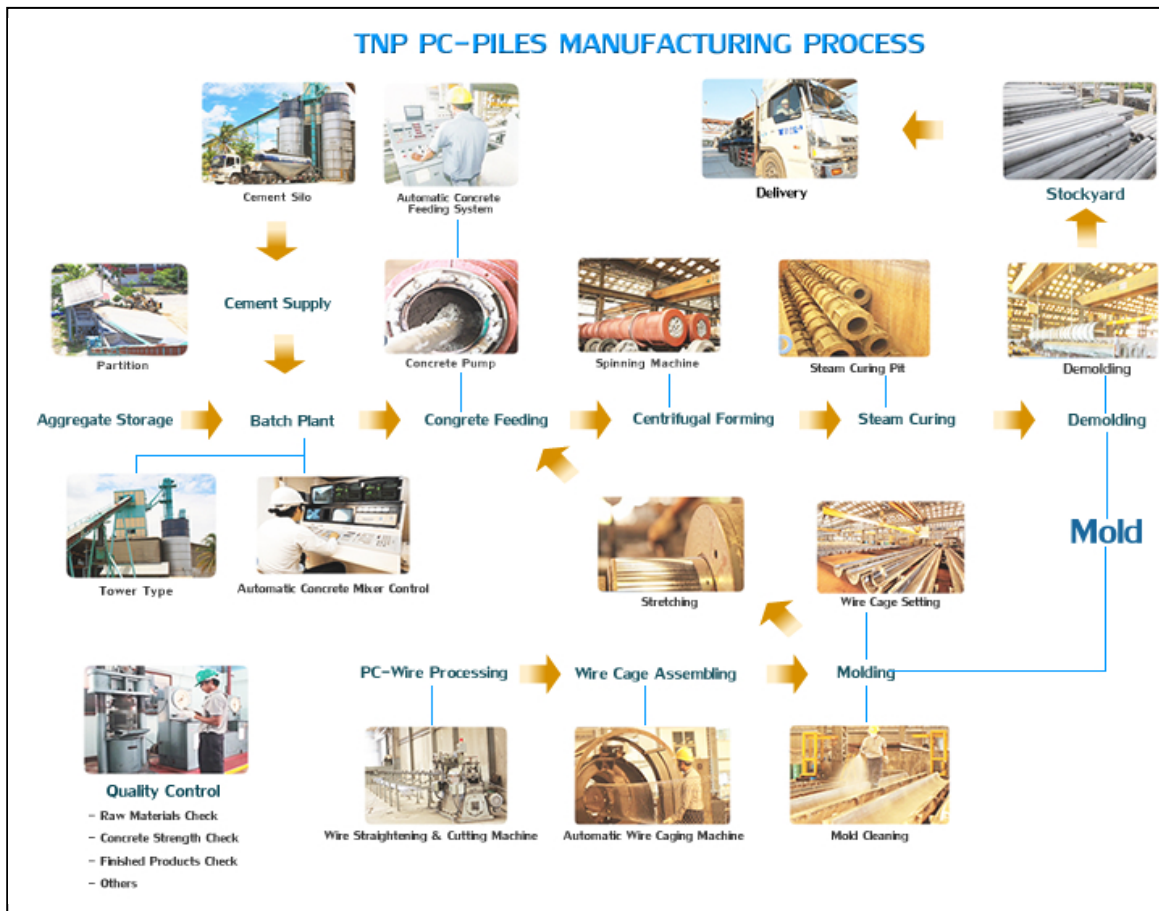
##### 1. Product and service

The currently, Thai National Product Company Limited is a manufacturer of spun pile with a delivery and pile driving service for a period of more than 20 years.

Current line of TNP has piles with diameter of 250, 300, 350, 400, 450, 500, 600, 700, and 800 mm. In the future to be able to support several sizes of project at the same time. Pile welding method of TNP is designed to have 3 times strength of the concrete part which is internationally accepted. Actual welding is done by Automatic Welding Machine or Semi Automatic Welding Machine. The skilled welders must pass the test conducted by an accredited institute prior to operating the machines.



Manufacturing process of Spun pile



The company also provides piling services with modern machines and methodology according to customers' demand and environment. The piling methodology deployed includes Pure Drive, Pre-Boring, Auger-Press with Final Drive each of which has been developed for maximum efficiency and pollutions such as vibration, dust, and noise are kept at minimum.

**Hydraulic Hammers**

**HYSINC**



**specifications**

Model	HNC-65	HNC-80	HNC-100	HNC-125
Driving System	PATENTED BSP HYDRAULIC SYSTEM			
Ram Weight(T)	6.5	8.0	10.0	12.5
Driving Energy (T-M)	7.80	9.60	12.00	15.00
Blow Rate/ Min	18-70	18-70	18-70	18-70

**NISSHA**



**specifications**

Model	NH-40	NH-70	NH-100
Driving System	Hydraulic, Double action		
Ram Weight(T)	4.0	7.0	10.0
Driving Energy (T-M)	6.08	8.96	14.4
Blow Rate/ Min	28-80	25-70	20-56

**2. Quality of product**

Thai National Product Company Limited’s first and foremost philosophy is “Quality Paramount” This philosophy extends not only to our product but to the services we provide. The company fully recognize that the success of any organization is dependent on customer satisfaction. Retaining old customers through trust and reliability whilst encouraging new customers by way of an en- viable reputation. The foregoing ensures continued expansion and prosperity based on a “Firm Foundation.” Thereby safeguarding the integrity of our whole structure.

Using the most up-to-date, computer-controlled production technology supplied by a specialized Japanese company result to products are of high quality, precision and consistency, meeting the strict requirement of National and International Industrial Standard. To ensure its production quality, Thai National Product have instituted the Quality Control Division equipped with a modern laboratory to strictly inspect and control the quality of works at each stage, from the selection of raw materials up to the services at the job site. Aiming to meet our customer’s requirements and maximum satisfaction of the customer as a result, the company's products granted industrial standard (TIS 398-2537) by the production pile diameters ranging from 250, 300, 350, 400, 450, 500, 600, 700 and 800 mm, and the company can also manufacture prestressed concrete piles using a centrifugal terms all kinds of special needs, beyond the standard has been designed to accommodate both small and large projects of all types.

In addition, quality management of Thai National Product Co., Ltd. has been certified with ISO 9001:2008 since 2001 with certification from AJA Registrars Limited. Scope of the certification is on " Design and Manufacture of Prestressed Spun Concrete Piles ". The company has implemented and maintained working environment according to the Requirements, Policies and Operation Plans to achieve the company’s goals. And in order to guarantee maximum satisfaction of customers in both products and services, the Quality Policy has always been " Excellence in Development of Quality Products and Services ".





### 3. Marketing and competitive environment

#### 3.1 Competitive strategy

The company is planning the competitive strategy in pile products and concrete product of the company as follow

##### 1) Creating variety and completeness of the product

The company has a policy to increase the variety of products The original main income of the company was spun pile(spun) only one product. In 2013, the company has increased other concrete products was railway concrete sleepers, these products will start selling in the quarter 1 of 2014. In addition,the company remains committed to increase other concrete products in the future to increase revenue and use common resource to net worth and increase profit and diversify the risk in the business of one another.

##### 2) Marketing business group

The customer in this group have both domestic and overseas customers. However, in currently, the main customers are both government and the private sector in construction industry business and general customers such as construction projects, roads, bridges, express ways, power plants, sky trains, ports, office buildings, factory buildings, etc.. The company still have the policy to increase customers' market to have more variety.

##### 3) Service

The company to focus on quality service and fast delivery include the pile driving with quality by modern machinery and process methodology, variety of requirement of customer and the suitability of the construction on the environment, such as pile driving by hydraulic hammer (Pure Drive), drilling system (Pre-Boring), Drilling – Press (Auger-Press with final drive), each system has been developed to work efficiently in parallel with the reduction of pollution, such as vibration, dust, smoke, noise, etc., which is provided by a team that has the experience in period of not less than 20 years and is monitoring and control equipment and safety services to rigorous safety standards. The company set a policy to the Committee of Safety, health and environment to work in every project to provide customers with confidence in the service along with the product.

##### 4) Warehouse management

The company has a policy in the storage of goods in standard size which is the need of the general customers in quantity, not much Because most companies produce products according to customer orders, that to reduce the cost of storage.



### 3.2 The characteristics of the customers and target customers

Currently the main products of the company was spun pile, which will be used in mainly the construction industry and transportation, however, the company aims to expand its customer base to other industry groups to be more focused on other concrete products industry, which is similar industry and use raw materials, which is a common resource that to the maximize benefits, such as railway concrete sleepers products and other concrete products , which the company's goal is to increase the production to more to achieve the diversity.

The main target customers are both domestic and overseas customers, which are both government sector and private sectors, the construction industry and the general customers to led products to use in various construction projects by classified are 3 categories follow :

- Infrastructure projects, such as construction of a rapid transit, toll way, express way, bridges, dams, docks, pumping plants , etc.
- The industrial and energy projects, such as oil depots, power plants
- The buildings such as factories, office buildings, educational buildings, residential buildings Shopping malls, hospitals, etc.

### 3.3 Distribution and distribution channel

The company produce and distribute of goods by mainly distributed through entrepreneurship, contractor of construction, such as the construction of maintenance subway electric train parking, deepwater port, expressway, toll way, etc. And some product to distribute to consumer customers such as used in the construction of factory office building, office, residential buildings, hospitals, etc., which this distribution is mainly delivery to customers to site projects The construction project, which is distributed both in the Bangkok metropolitan area and other regions.

The portion of the distribution to the customer is an entrepreneur in the construction industry customers about 80 percent: 20 percent of the company's customer are regular customers, which the mainly customers of the companies are mostly regular with contact trading for a long time and have a good relationship.

## 4. Procurement of products

### 4.1 Procurement from production

#### Production

Thai National Products Co., Ltd. has one factory for production in spun pile and concrete sleeper, located on Sainoi District, Nonthaburi Province, fully capacity of machine 40,000 tons per month or 480,000 tons per year.



Procurement of raw material

The main raw material used in the production such as steel, cement, gravel, sand and other, which is the main raw material, that the maximize value is 65-70% of the value of raw materials used in production. The company procure raw materials for steel from domestic suppliers.

**5. Impact on the environment**

With a sense of duty and social responsibility to the environment, the company has the appropriate technology selection and has minimal environmental impact as possible, for example, concrete mixer modern closed systems, which have the device traps dust while working not dispersed into the atmosphere, and also installed wastewater from production then put back into the cleaned plant for renewable resources to maximize the benefits and then introduced into the deposition process and fill the air and water quality to a level that is not harmful to the environment before it is released to the outside plant.



Control noise pollution



Vibration control

In the field, the company led modern and variety machine for pile driving used by meet the requirement of customer, such as the driving with hydraulic hammer that pollutes the soot vibration and noise, less is more compared to the other driving system, press driving (Auger-Press with final drive) and pre-boring that can reduce vibration almost completely devoid of any pollution.

Additionally, the Company also encourage the planting of trees around the factory. to create a tropical atmosphere and fresh air.



## Revenue Structure

### Revenue Structure of Company and subsidiaries

For 2013, revenue in consolidated statement of the company and subsidiaries total amount of 3,609 million baht , which consist sale and services 3,570 million baht , revenue of the separate company 2,852 million baht.

Revenue of subsidiaries were as following

1. Thai National Product Co.,Ltd. (proportion of holding shares of the company 100.00% ) , total revenue amount of 390 million baht , which is sale and service (Sale of pile, transportation and driving service) amount of 379 million baht.

2. Siam Ferro Industry Co.,Ltd. (proportion of holding shares of the company 51.88% ) , total revenue amount of 629 million baht , which is sale and services (production for sale, production hiring and procure for trading) amount 626 million baht.

(Consolidated financial statements exclude related transaction of sale amount of 287 million baht)

Product / Group of business	Operated by	Holding shares (%)	Revenue from consolidated financial statement (Million Baht)					
			2011	%	2012	%	2013	%
Structural steel and other steel	Rich Asia Steel Public Company Limited and Siam Ferro Industry Company Limited	51.88%	3,964.00	94.61	2,724.00	89.02	3,191.10	88.42
Pile , Delivery and Driving	Thai National Product Company Limited	100.00%	178.00	4.25	291.00	9.51	379.00	10.50
Other Revenue	Rich Asia Steel Public Company Limited and subsidiaries		48.00	1.15	45.00	1.47	39.00	1.08
Total			4,190.00	100.00	3,060.00	100.00	3,609.10	100.00

Remark : 1. 2012 Restated financial statement

2. Other revenue i.e. revenue from rental, gain on sales of assets, gain on a bargain purchase of subsidiary company , revenue from written off accrued expenses and other expenses and others



Revenue Structure of the separate company

Sources of Revenue	2011		2012		2013	
	Million baht	%	Million baht	%	Million Baht	%
Revenue from sales						
1. Structural Steel						
1.1 Square tube	394.34	11.03	237.77	10.51	118.34	4.10
1.2 Black steel pipe	115.09	3.22	75.59	3.34	55.26	1.91
1.3 Rectangular tube	429.47	12.01	271.10	11.98	158.65	5.50
1.4 Lipped channel	1,137.09	31.81	601.10	26.57	635.90	22.02
1.5 Angle Bar	1.16	0.03	0.21	0.01	0.32	0.01
1.6 Deformed Bar	222.59	6.23	493.11	21.80	366.76	12.70
1.7 Round bar	276.95	7.74	221.71		192.30	6.66
2. Hot rolled steel coil and Sheets	691.87	19.36	109.02	4.82	591.73	20.50
3. Billet	-	-	17.12	0.76	580.94	20.12
4. Other *	264.81	7.41	159.67	16.86	151.62	5.25
<b>Total Revenue from sales</b>	<b>3,533.37</b>	<b>98.84</b>	<b>2,186.40</b>	<b>96.65</b>	<b>2,851.82</b>	<b>98.77</b>
Other revenue **	41.63	1.16	75.82	3.35	35.64	1.23
<b>Total Revenue</b>	<b>3,575.00</b>	<b>100.00</b>	<b>2,262.22</b>	<b>100.00</b>	<b>2,887.46</b>	<b>100.00</b>

\* Others consists of scrap, steel strapping, cold roll coil, round steel bars, wide flange beams

\*\* Other revenue consists of revenue from rental, gain on sales of assets, gain on a bargain purchase of subsidiary company , revenue from written off accrued expenses , interest revenue , receive from management instead of trading account receivable and Others Income.

Revenue of the separate company from sales can be categorized by type of business using the proportion of procurement of products as follows:

Sources of Revenue	2011		2012		2013	
	Million baht	%	Million baht	%	Million Baht	%
Revenue from sales						
1. Procurement for sale						
1.1 Trading	3,086.75	87.36	1,691.37	77.36	2,544.21	89.21
1.2 Production hiring for sale	248.04	7.02	243.25	11.13	114.88	4.03
<b>Total of procurement for sale</b>	<b>3,334.79</b>	<b>94.38</b>	<b>1,934.62</b>	<b>88.49</b>	<b>2,659.09</b>	<b>93.24</b>
2. Production for sale	198.58	5.62	251.77	11.51	192.73	6.76
<b>Total revenue from sales</b>	<b>3,533.37</b>	<b>100.00</b>	<b>2,186.40</b>	<b>100.00</b>	<b>2,851.82</b>	<b>100.00</b>



## Trends and Industry Outlook

The trend of the industry related to the production line of steel, production line of spun pile and concrete products are as follows

### Steel Industry in 2013

Situation in the world steel industry remains slow down due to the economic recovery in Europe has been recovering slowly, in while the global steel production volume has plenty. that the result to the average average global steel prices decline, in while price of raw material increased.

Situation in steel Consumption of steel in Jan.-Sep. 2013 total 13.56 million tons, increased 11.68% compared to the same period in 2012. As end of 2013 is expected steel consumption total 18.48 million tons, which increased 10.92% from in 2012.

Steel industry in the last half of the year 2013 with direction to sustain for many continual industries such as construction, electric appliances, etc., due to uncertain of the political problems in the country.

### Trends of the steel industry

The trend of the steel industry in 2014 tends to fluctuate according to the economic environment and the political situation of the country, which the early years 2014 will in a state of slowdown, however price of steel products are better direction following the recovery of the global economy, which is expected that the demand will be greater in the end from the stimulation of marketing to prepare to enter the trade AEC in 2015.

In order that, the trend of steel prices and construction materials is likely to increase due to the measures of anti dumping and taxed Safeguard, that affect to the cost of import products higher, in addition, that result to cost of product use in construction, such as the pile, pole, beam, bridge, plate floor will be a higher cost.

### Construction Industry in 2013

Demand for steel products in 2013 had been expanded in Quarter 2, which demand of steel in the construction industry in 2013 increased from 2012 due to In 2013, investment in the construction sector increased, however at the end of last year was slow due to political problems in the country.

The value of transaction in land and building in the country of construction industry in 2013 and the value of commercial real estate loans increased from the year 2011 and 2012 and in 2013 direction of new housing in Bangkok Metropolis and Vicinity , condominium registration nationwide increase and land development licenses nationwide increased from in 2012 as follows



	2011	2012	2013
Land Development Licenses Nationwide (Unit)	120,657.00	87,007.00	99,217.00
Condominium Registration Nationwide (unit)	39,795.00	81,665.00	102,200.00
New Housing in Bangkok Metropolis and Vicinity (unit)	81,856.00	125,002.00	130,046.00

Source : Bank of Thailand

#### Trend of Construction industry

The trend for construction in 2014, with the direction of the growth rate slowed down from 2013 due to the political problems of the country occurred in late 2013, resulting in the economy and investment, including the approved project budget. investment and infrastructure development of the country.

From the analysis of Kasikorn Research Center, expected value of construction investment in 2014 is expected to grow at a slow down 2.5-5.0% or amount of 994,500 to 1,018,500 million baht from of construction value in 2013 was estimated at 970,000 million baht.

#### Government sector construction direction

Construction trend of government in 2014 will continue to slow due to the transport infrastructure development plan delayed. The construction still await the investment policies of new government. However, in 2014, the construction sector is still large projects continue to be approved for various projects such as sky train projects ,the construction of conjunction separate levels. In addition, 2014 also provides investment opportunities to open bids on two projects, the Purple Line. The Tao Poon – Ratburana 116,000 million baht and Green Line Mor Chit - Saphan Mai - Lamlookka amount of 38,168 million baht.

Therefore, sky train projects that have been approved but have not completed building. The work will be auctioned in 2014 and is also trend to result in the manufacture and sale of subsidiaries are still greater quantities.

#### Private sector construction direction

Outlook for the construction of the private sector in 2014 will be growth less than in 2013 due to the recession of investment in real estate projects such as residential condominiums decrease due to the consumers are concerned about the of political situation and purchasing power is weakening. However, that is also expected to invest in commercial real estate also growth well as retailers, plans to continue to expand our investment in the province to support the growth of the AEC to come in 2015.



#### The automotive industry in 2013

The automotive industry uses several types of steel as a major component in the production of automotive steel sheets cold rolled using steel sheet and coated sheet steel, hot rolled steel pipe. In 2013, the Federation of Thai Industries summarized the production of car total 2,457,086 cars, which the highest in 52 years, as a result to Thailand was the country's top 10 car manufacturers in the world, that increased 0.14% from 2012, while sales of domestic vehicles in December in 2013 total 108,688 cars, that decreased from the same period the last year, but increased 16.26% from November 2013 due to the first car and automotive markets return to normal.

#### Trends of the automotive industry

Trends in car production in 2557, which the automotive industry, Federation of Thai Industries anticipated expected about 2.55 million cars into the car for export from 1.2 to 1.3 million cars and cars for sale in the country 1.2 - 1.3 million cars, which is similar to export. The export market is more likely due to the world economic recovery such as the U.S., Europe and China improved.

According to the analysis of domestic car market of Kasikorn Reserch Center has estimated that year 2014 still faced with shrinking state continuously due to deliver the car in the first car project is finished, will affect the demand for commercial vehicle demand decrease, but is expected to growth up in the end due to the trade liberalization under the framework AEC in 2015.





## Risk factors

### 1. Risks in business

Risk to the operations of the Company and its subsidiaries are as follows :

#### 1.1 Risk from fluctuation of raw material price

The company and subsidiary major raw material was Hot Rolled Coil (HRC) both type of roll and sheet for sale and manufacture of steel pipes and structural steel of C-Channel. In 2013 the company purchased hot rolled steel 31.10% of total value of raw material purchased and purchased billet as raw materials for structural steel products equivalent to 20.06% of total value of raw material purchased. Purchasing of inventories and raw materials was from domestic manufacturers 98.89% and import 1.11% . In addition, the prices of hot rolled steel prices was be adjusted according to world price and demand & supply situation which are important factors to impacted raw material costs and gross margins due to the major cost of Hot Rolled Coil.

In order to control risk from fluctuation of HRC price, the Managements closely monitors steel price and evaluates trend of world price and domestic price of HRC, in order to manage costs of steel which is raw material to the minimum, which will impact good results to the Company's operation.

The policy of setting selling price, the company will be based on costs of sales and market price of raw material that time to reduce the risk from fluctuation.

#### 1.2 Risk from products procurement

In 2013 the company has a policy to hedge risk on purchase of raw materials by procure raw materials from various distributors which consideration of the direction of price fluctuation and negotiations of payment term. In 2013, the company and subsidiary have ordered hot rolled coils from 11 manufacturers and suppliers. The top 5 suppliers of raw material in hot rolled coil were 37.80%, 28.80%, 11.34%, 8.35% and 7.03% respectively.

However, when compare to 2011 the company and subsidiary have 4 main suppliers and in 2010 have one supplier. Therefore, such companies's policy can reduce the risk of supply as well as can increase no of suppliers and raw materials price negotiation.

In addition in 2013, the companies purchased raw materials of billets from 8 major suppliers. Proportion of purchasing billets from top 5 suppliers were 59.14% , 17.90%, 11.83%, 7.54% and 2.31% respectively.

Comparasion to in 2012, the companies purchased raw materials of billets from 4 major suppliers. For billets purchasing, the Company has policy to search additional suppliers to reduce risk and increase negotiation power in the same manner of HRC purchasing.



### 1.3 Risks from loan due for payment

The company has liabilities which was due for repayment to bank and financial institute. Partial of due debt was debt under restructuring agreements which having loan installment under the contract. In 2013 the company has repaid the principal to financial institutions to reduce both the principal and interest. Thus, the company planned to manage financial by reserve the particular cash for loans repayment by preparing cash flow projection for an adequate cash management to prevent risk and reduce errors that may arise from the due loan.

### 1.4 Risk from competitive law change

The steel industry has a problem of imports of hot rolled other alloy imports increase and cause damage to the domestic industry. Safeguards Committee (Safeguard) has issued tariff protection from imports of hot rolled coils and not any other type doped into a roll up.

The Ministry has imposed anti-dumping (Antidumping or AD) the HRC boron species were rolls and rolls imported from China at a rate of 14.28% and 19.47 % in December 2012 , but the measure of AD. not possible to prevent the dumping of cheap goods HRC coordinates other manifestations such as coordinate boron steel - alloy to avoid paying taxes by import volume in AD coordinates HRC doped Other ( cover coordinates 722530-722691 ) has increased. In particular , imports from China.

The four major domestic manufactures had filed for a tax Safeguard on total import hot-rolled products of other alloy types of coils and not in coils, thickness from 0.9 to 50.0 mm width 100-3048 mm, which import in 3 period as follow

- 1) Rate 44.20% of the CIF price for imported goods from Sep.15,2013 to Oct. 26,2014.
- 2) Rate 43.57% of the CIF price for imported goods Sep.27, 2013 to Oct. 26,2015.
- 3) Rate 42.95% of the CIF price for imported goods from Feb.27,2015 to Feb.26, 2016 of the export country by the attachment total of 165 countries, which there were "exceptions" to the automotive industry, import for hard coated and special grade steel.

The tax Safeguard affect to higher cost of imports HRC. Therefore , the steel imports volume in 2013 was decreased and affect to HRC users to purchase HRC from major domestic manufacturers which there were few players. The steel industry has limited channel for purchasing raw materials and trend of domestic price was increase which affected to the users in small and medium enterprise who are in downstream industry faced a higher cost.



## 2. Risks affecting the rights of holders of securities or investments

### The risk of company's retained deficit

In fiscal year 2013 the Company had net loss total of 413.85 million Baht, a net loss attributable to the equity holders of the parent amount of 357.92 million Baht. For the separate operating performance net loss of 393.34 million Baht, which affect the Company's results of operations deficit at the end of 2013 the consolidated financial statements amount of 1,177.71 million Baht, separate financial statements was deficit 1,006.02 million Baht due to the Company had burden of the financial cost and in last 3 years, Thailand was faced flood problem, political problem that affect to the decrease of steel demand and fluctuation of steel price which result to the Company's sales revenue and have insufficient income for expenses and financial cost.

The Company has retained deficits which affected to inability of dividend payment. The shareholders have a risk on such inability according to dividend policy.

Thus, the Company is in problem solving process by searching for low cost source of funds in order to reduce high financial cost and also adapt Company's and subsidiaries' market strategies which expected that if such operation can be run successfully in 2014. The company's performance will be improved and can reduce retained deficit and risk of inability of dividend payment to the shareholders.

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

Company's Name	:	Rich Asia Steel Public Company Limited
Symbol	:	RICH
Nature of Business	:	Seller and supplier of steel products which acquired from trading as well as hiring other steel plants to produce the products for the company, the company is also a trader and supplier of other types of steel products including raw materials and finished products. The finished products are composed of, for example, structural steel pipe, lipped channel, hot rolled coil and sheets, billets, and others.
Head Office	:	636 Bangkhuntien-Chaitaley Road, Thakham, Bangkhuntien, Bangkok 10150 Tel. 0 2453 6277 Fax. 0 2453 6288
Factory	:	141/3-141/4 Moo 3, Tambol Bangprong, Amphur Muang Samut Prakarn, Samutprakarn 10270 Tel. 0 2383 0485 Fax. 0 2383 0485
Distribution Centers	:	116/7 Moo 5, Tambol Pantainorasingh, Amphor Muang Samutsakorn, Samutsakorn 74000 Tel. 0 3487 2255 Fax. 0 3487 2254
Registration No.	:	0107549000050
Home Page	:	<a href="http://www.richasiasteel.com">http://www.richasiasteel.com</a>
Customers Care Center	:	Tel. 0 2453 6277 ext. 219
(Customers' Complain Center)	:	E-mail : <a href="mailto:customerscare@richasiasteel.com">customerscare@richasiasteel.com</a>
Registered Capital	:	4,000,000,000 Baht
Ordinary Shares	:	4,000,000,000 Shares
Par Value	:	1.00 Baht per share
Paid-up Capital	:	1,002,913,226 Baht
Paid-up Ordinary Shares	:	1,002,913,226 Shares

*Investors can study additional company's information in Annual Registration Statement (Form 56-1) which is shown in [www.sec.co.th](http://www.sec.co.th) or [www.richasiasteel.com](http://www.richasiasteel.com)*



## Referrals and Their Locations

### Common Stock Registrar

Thailand Securities Depository Co., Ltd.

62 Ratchadaphisek Road

Klongtoey, Bangkok 10110

Tel. 0 2229 2878

Fax. 0 2654 5642, 0 2654 5645

### Auditor

1. Mr. Boonlert Kaewphanpurk      CPA No. 4165

2. Mr. Naris Saowalagsakul      CPA No. 5369

BPR Audit and Advisory Co., Ltd.

152 Chartered Square Building, 12A Floor, Suite 08,

North Sathorn Road, Silom, Bangrak,

Bangkok 10500

Tel. 0 2634 5398

Fax. 0 2634 5399



The corporate name that the company holds 10 percent or more of Issued and Paid-up Share Capital as of December 31, 2013

Items	Company/Location	Type of Business	Type of Share	Issued and Paid-up Share Capital	Number of Shares	%
1	Siam Ferro Industry Co., Ltd. 88 Moo 2 Tambol Kahlong Amphur Muang Samutsakhon Samutsakhon 74000 Tel. 0 3485 1018 – 21 Fax. 0 3485 1028	Steel pipe and tube manufacturer	Ordinary Shares	14,248,427	7,392,450	51.88%
2	Thai National Product Co., Ltd. 33/3 Moo 4, Bang Bua Thong - Suphanburi Rd., Tambol Sai Yai, Amphur Sai Noi, Nonthaburi 11150 Tel. 0 2985 5300 Fax. 0 2985 5309	Spun pile manufacturer	Ordinary Shares	26,100,600,000	26,100,599,998	100.00%



## Shareholders

Major Shareholders as of March 17, 2014 (Valued 1 Baht per share)

Ranking	Shareholders	Number of shares	Percentage
1.	Miss Angkakarn Tantiviroon's group		
	1.1 Miss Angkakarn Tantiviroon	43,550,000	4.34
	1.2 Mrs. Phimsiri Keeratithiansiri	33,450,000	3.33
	1.3 Mr. Chen Marcus	1,475,000	0.15
	1.4 Miss Chen Ming Ming	890,625	0.09
	Total	79,365,625	7.91
2.	Mr. Norong Wangchareonwong	51,646,500	5.15
3.	Mr. Silchai Seemawonganant	49,569,070	4.94
4.	Miss Nada Thepawatanasuk	38,594,690	3.85
5.	Miss Arporn Seneeprakornkrai	31,169,500	3.11
6.	Mr. Anuroj Seneeprakornkrai	23,000,000	2.29
7.	Mr. Krit Purisinsit	19,770,000	1.97
8.	Mr. Surapol Tangkaprasert	16,897,070	1.68
9.	Mr. Aprichart Chaiporamant	12,862,700	1.28
10.	Miss Supinya Leeswadtrakul	12,241,500	1.22
	Total	335,116,655	33.40
	Other Shareholders	667,796,571	66.60
	Total Shareholders	1,002,913,226	100.00

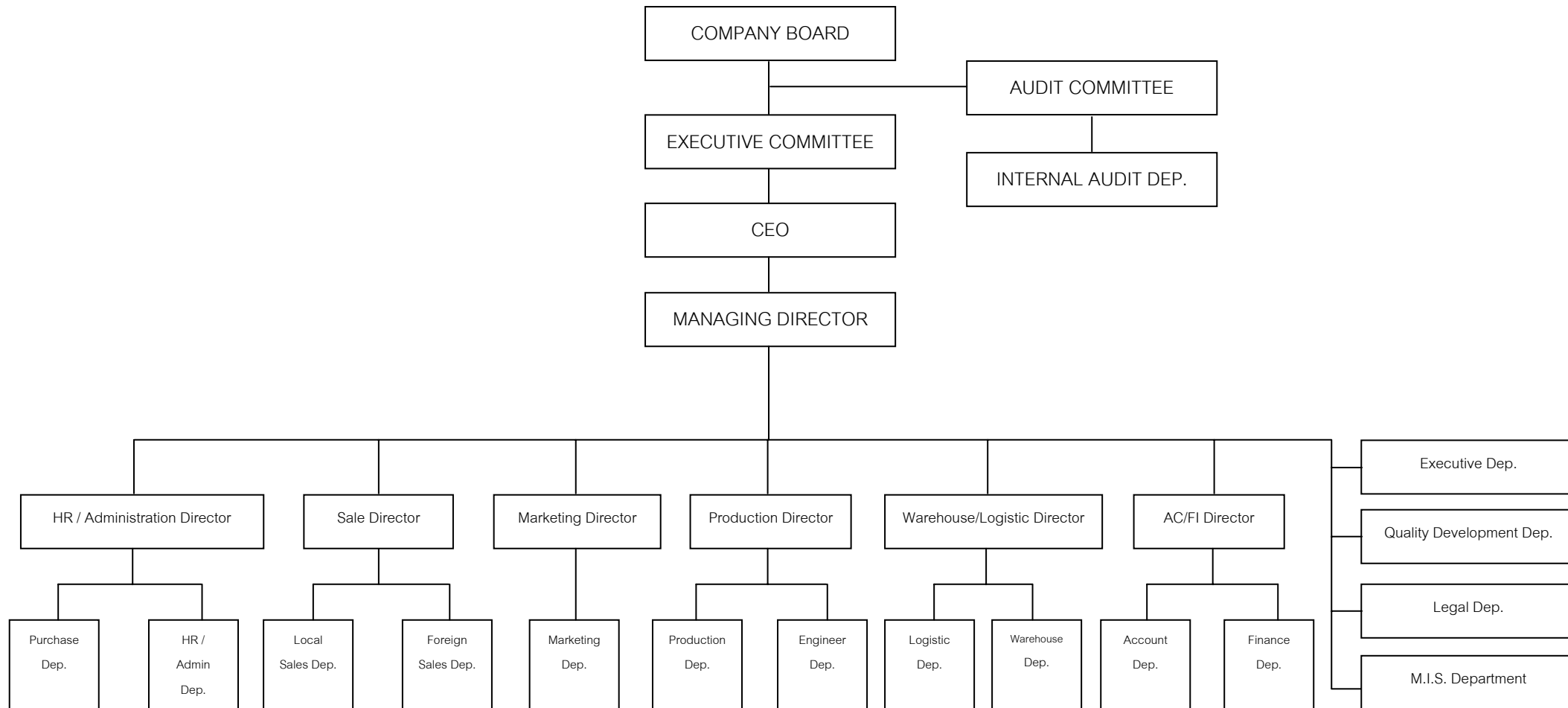
## Dividend Payment Policy

The Company has dividend payment policy at least 50% of the net profit (after deduction of corporate income tax and legal reserve). However, the Company may determine the rate of dividend payment less than the above policy rate, depending on the performance, financial status, liquidity and needs in utilizing operating fund for operation, business expansion and other factors involving management of the Company.



Management Structure

Organization Chart







### Board of Directors

Company's regulation specifies that Board of Directors comprises at least 5 directors. Not less than one half of all directors must have domicile in Thailand. Independent directors shall represent at least one-third of the total number of Board members and not less than 3 members. The Board is responsible for the overall duties and performance which is maximized benefit to the Company and shareholders. The Board structure, term of directorship and Roles, duties and responsibilities of the Board has shown in item 9. Corporate Governance.

At Present, Board of Directors comprises of 9 members:

- Executive Directors                      3            members
- Non-Executive Directors                2            members
- Independent Directors                  4            members

### Independent Directors

The company has 4 Independent Directors represent to 44.44% of total directors. Chairman is an Independent Director and not hold the title in top Management. Board of Directors resolves to define the qualifications of Independent Directors and the meeting of Board of Directors No.4/2013 has resolved to adjusted amount of shareholding from not over 1% to 0.5% which is more strictly than the minimum requirements of the Capital Market Supervisory Board. The details of qualify of Independent Director has show in item 9. Corporate Governance.

#### Board of Directors' Name

1. Gen. Watanachai	Chaimuanwong	Chairman (Independent Director)
2. Mr. Surapong	Churangarit	Vice Chairman / Chairman of Audit Committee (Independent Director)
3. Mrs. Phimsiri	Keeratithiansiri	Director (Non-Executive Director)
4. Mr. Rittirong	Intarajinda	Director (Non-Executive Director)
5. Miss Angkakarn	Tantiviroon	Director (Executive Director)
6. Mr. Somkiat	Vongsarojana	Director (Executive Director)
7. Mr. Teera	Phoncharoensuk	Director (Executive Director)
8. Asst.Prof.Dr. Nakhun	Thoraneenitiyan	Director / Audit Committee (Independent Director)
9. Pol.Lt.Gen. Mongkol	Kamolbutra <sup>1)</sup>	Director / Audit Committee (Independent Director)

Remark    1) Appointed in the Meeting of Board of Directors No. 1 / 2013 on February 27, 2013  
as Independent Director and Audit Committee.

### 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.



### Board of Directors' Meetings

Meeting schedule for each year has been planned and sent to each director in advance. In 2013, The Company has set up Board of Directors' meeting 4 times and each Director has attended the meeting at least 75% of the total number of meetings. Board of Directors' attendance is summarized as follows:

Name	Position	Attending Meeting / Total Meeting (Times)
1. Gen. Watanachai Chaimuanwong	Chairman (Independent Director)	3/4
2. Mr. Surapong Churangsarit	Vice Chairman (Independent Director)	4/4
3. Mrs. Phimsiri Keeratithiansiri	Director	3/4
4. Dr. Rittirong Intarajinda	Director	4/4
5. Miss Angkakarn Tantiviroon	Director	4/4
6. Mr. Somkiat Vongsarojana	Director	4/4
7. Mr. Teera Phoncharoensuk	Director	4/4
8. Asst.Prof.Dr. Nakhun Thoraneenitiyan	Director (Independent Director)	4/4
9. Pol.Lt.Gen. Mongkol Kamolbutra <sup>1)</sup>	Director (Independent Director)	3/3

Remark 1) Appointed in the Meeting of Board of Directors No. 1 / 2013 on February 27, 2013 as Independent Director and Audit Committee.

### Management

At present, Company's Management as per SEC regulations consists of 4 members, as follows:

- |                   |                |   |
|-------------------|----------------|---|
| 1. Miss Angkakarn | Tantiviroon    | Chief Executive Officer   |
| 2. Mr. Somkiat    | Vongsarojana   | Managing Director/<br>HR / Administration Director (Deputy)/<br>Sales Director (Deputy) |
| 3. Mrs. Nusara    | Taravanich     | Chief Financial Officer   |
| 4. Mr. Teera      | Phoncharoensuk | Production Director   |

*(Details of Directors and Managements appears in appendix 1)*

### Company Secretary

Board of Directors' meeting no. 1/2008 held on February 1, 2008 has resolved to appointed Miss Nongluck Sarochsuwan, to be Company Secretary, who graduated in accounting and passed the training course "Law and regulation for new secretary of the Securities and Exchange Law" (details and qualification as shown in appendix 1) to support in practice Board of Directors and the Company's duty pursuant to the relevant laws and regulations.



## Director and Management Remuneration

### 1. Monetary Remuneration

#### Directors Remuneration

Annual General Shareholders' Meeting 2013 on April 26, 2013 has resolved to fix the remuneration for Board of Directors for year 2013 i.e. remuneration, Bonus on operation as follows:

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

Chairman	20,000 Baht / time
Vice Chairman	15,000 Baht / time
Directors	10,000 Baht / time

(Only for attending Directors)

#### 2) Bonus on operation for 2013 at the rate 10% of dividend paid in 2013 but not excess 7 Million Baht.

Director who is managements will received salary as remuneration.

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

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

(Only for attending Directors)

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

In 2013 the Company has paid remuneration to each director for accounting period of December 31, 2013 as follows:

Name	Position	Remuneration <sup>1)</sup> (Baht)
1. Gen. Watanachai Chaimuanwong	Chairman	60,000
2. Mr. Surapong Churangsarit	Vice Chairman / Chairman of Audit Committee	140,000
3. Mrs. Phimsiri Keeratithiansiri	Director	30,000
4. Mr. Rittirong Intarajinda	Director	40,000
5. Miss Angkakarn Tantiviroon <sup>2)</sup>	Director	-
6. Mr. Somkiat Vongsarojana <sup>2)</sup>	Director	-



7. Mr. Teera Phoncharoensuk <sup>2)</sup>	Director	-
8. Asst.Prof.Dr.Nakhun Thoraneenitiyan	Director / Audit Committee	80,000
9. Pol.Lt.Gen. Mongkol Kamolbutra	Director / Audit Committee	60,000
Total		410,000

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

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

3) There is no other non-cash remuneration.

In 2013, the company does not pay bonus on operation of the Board.

#### Managements Remuneration

In 2013 the company has 4 Management for accounting period of December 31, 2013 the company has paid remuneration to Managements as follows:

#### Total Managements Remuneration

Type of Remuneration	Amount (Baht)
Salary	9,708,000
Provident Fund	48,000
Total	9,756,000

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

#### 2. Other remuneration

Other remuneration of the company is Provident Fund which established on May 1, 2006 in the rate of 2% of their salary, beginning since May 2006 as mentioned in the table above.

Report the holding of common shares of Directors and Managements as of December 31, 2013

Name	Dec. 31, 2013	Dec. 31, 2012	Increase (Decrease)
1. Gen. Watanachai Chaimuanwong	-	-	-
2. Mr. Surapong Churangsarit	-	-	-
3. Mrs. Phimsiri Keeratithiansiri	33,450,000	33,450,000	-
4. Mr. Rittirong Intarajinda	-	-	-
5. Miss Angkakarn Tantiviroon	43,550,000	43,550,000	-
6. Mr. Somkiat Vongsarojana	2,000,000	2,000,000	-
7. Mr. Teera Phoncharoensuk	1,500,000	1,500,000	-
8. Asst.Prof.Dr.Nakhun Thoraneenitiyan	-	-	-
9. Pol.Lt.Gen. Mongkol Kamolbutra	-	-	-
10. Mrs. Nusara Taravanich	-	-	-



## Personnel

As of December 31, 2013 the Company has a total of 55 staff (exclude 4 Managements). The Company compensated the employees who are not Management for a total of 19.10 Million Baht in consists of salary and provident fund. In addition, 2 Subsidiaries are Thai National Product Co., Ltd. and Siam Ferro Industry Co., Ltd. Thai National Product Co., Ltd. has a total of 240 staff (include Managements) and compensated for a total of Baht 40.06 Million. Siam Ferro Industry Co., Ltd. has a total of 72 staff (include Managements) and compensated for a total of Baht 11.90 Million.

Labor dispute for last 3 years

- No -

## Human Resource Development Policy

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

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

Therefore, in 2013 the company has conducted internal and external training program to improve working skill, knowledge, develop attitude of positive thinking toward organization for both operation level and command level which consists of 8 internal training programs and 22 external training programs which total numbers of 10 participants.

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

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



The table shows the numbers of employee for each division on December 31, 2013.

Division	Employee amount (person)
Purchase	2
Human Resource & Administration	10
Sale	4
Production	21
Accounting	6
Finance	4
Internal Audit	1
Law	1
Information Technology	2
Logistics	1
C.E.O. Office	3
<b>Total</b>	<b>55</b>

Remark: Employee amount exclude Managements



## Corporate Governance

Due to The Stock Exchange of Thailand has improved good governance principle for listed companies in 2012 in order to comply with the guidelines assessment the corporate governance of listed companies under the ASEAN CG Scorecard. Thus, the meeting of Board of Directors No. 4/2013 held on November 13, 2013 has resolved to adjust the Company's Corporate Governance and Code of Business Ethics in order to comply with such good governance principle and exalt the Company's Standards and Principles of Good Corporate Governance. The Company has announced to Directors, Management and all employees adhere as a guideline to achieve in the workplace and create a confidence to shareholders, investors, stakeholders and all concerned parties including corporate social responsibility. The Company has been disclosed through Company's website [www.richasiasteel.com](http://www.richasiasteel.com) in topic "Corporate Governance Policy" and "Code of Business Ethics"

### Corporate Governance Policy

For corporate governance policy and compliance with good corporate governance principles as follows:

#### Chapter 1 Rights of Shareholders

The Board of Directors recognizes the importance of the rights of shareholders, and engages in no conduct that will be in violation to or deprive the shareholders of their rights.

##### 1. Basic rights

Shareholders enjoy their basic rights, such as buying, selling or transfer of shares, sharing of the Company's profits, access to adequate news or information, attending shareholders' meeting to vote on appointment or removal of directors, determination of directors' remuneration, appointment of auditor, fixing the audit fee, and such issues that may impact the Company as allocation of dividend, capital increase or write-down, approval of extra transactions, etc.

##### 2. Shareholders' meeting

In 2013, the Company held the Annual General Meeting of Shareholders on April 26, 2013 at Yomtara room, the 2<sup>nd</sup> floor, Ramada Plaza Menam Riverside Bangkok Hotel, No. 2074 Charoenkrung Road, Bangkoklaem, Bangkok. The Company has followed guidelines as follows:

2.1 The Company has sent the notice of the shareholders' meeting which contains such details as date, time and venue of the meeting, as well as details of the meeting agenda and accompanying documents to the shareholders in advance as prescribed by law and also disseminate such information through the Company's website: [www.richasiasteel.com](http://www.richasiasteel.com) at least 30 days prior to the meeting date, and then notify the Stock Exchange of Thailand (SET) of such dissemination, so that the shareholders will have sufficient time to study the information before receiving the printed document. The document has been sent to shareholders in advance 15 days prior the meeting date.

2.2 The Company has delivered together with the notice of the shareholders' meeting the proxy form in the format as prescribed by the Ministry of Commerce for the shareholders who cannot



attend the meeting in person to appoint any other persons or any of the Company's independent directors as proxies to attend the meeting on their behalf in order to retain their rights at the meeting.

2.3 Duty stamps are prepared for shareholders attending by proxy free of charge.

2.4 Chairman, Chief Executive Officer, Chairman of Audit Committee and 5 Directors, total 8 persons, together with auditors and company's advisor have attended shareholders meeting to give relevant information and answer questions.

2.5 Before starting consideration on the agenda items, the shareholders will be informed of the meeting procedure, and vote casting and vote count method for each agenda item.

2.6 The Company facilitated the meeting attendance registration by using software and technology to provide convenience and save time for the shareholders and the proxy holders.

2.7 The Company prepared ballots for each agenda item, and for the agenda on the election of directors, the ballots will be segregated to allow for the shareholders' voting on individual directors.

2.8 The meeting has been proceed sequentially in accordance with the agenda, and there in no alteration of agenda sequence nor request to consider any other issue which is not specified in agenda in case of without adequate supporting reasons.

2.9 The shareholders have been allowed and given enough time to express opinions and ask questions in the meeting, as well as submit questions prior to the meeting, for more clarity and fairness to the shareholders and the parties concerned.

2.10 The Company has reported the voting result of each agenda item showing the number of votes of approval, disapproval and abstention through the SET's electronics system on the following business day, and on the Company's website: [www.richasiasteel.com](http://www.richasiasteel.com).

2.11 The minutes of the shareholders' meeting has been taken, containing vote casting and vote count method, details of key points of questions raised and answers given at the meeting, and voting result of each agenda item, as well as name-list of attending and absent directors. The Company has sent a copy of the minutes to the SET, post on its website: [www.richasiasteel.com](http://www.richasiasteel.com) within 14 days from the meeting date, and inform the SET of such notification. The meeting has also been recorded in VDO and be posted in clip file on the company's website.

The Company has adjusted and developed the arrangement formality of each Shareholders' Meeting in order to set standard and comply with the AGM checklist which is evaluated by Thai Investors Association. In 2013 AGM Assessment Program, the Company received the score range 90-99 in level "Excellent".

## **Chapter 2 Equitable Treatment of Shareholders**

The Company believes in equitable treatment of all shareholders, whether they are major shareholders, minor shareholders, institutional investors, or foreign shareholders.





1. The Company recognizes the rights of shareholders and treatment of all shareholders on a fair and equitable basis. It gives opportunity for minor shareholders to propose issues considered beneficial to the Company for inclusion in the agenda and qualified candidates for directorship at least three months before the ordinary meeting of shareholders starting from September 27, 2013 to December 31, 2013. The criteria and procedure have been posted on the Company's website: [www.richasiasteel.com](http://www.richasiasteel.com).

2. Voting rights in the meeting has been determined according to member of shareholding on the basis of one share for one vote.

3. The Company has set up a policy regarding securities trading and use of inside information not yet disclosed to the public to prevent Directors, Management and Employees from using inside information for personal and others' benefits, and instructed all people in the organization to follow. Directors and Managements have duty to report their securities holding as prescribed by the Office of the Securities and Exchange Commission to the Board (SEC) on a regular basis.

4. The Board and Managements shall disclose information of beneficial interests and related parties for Board's consideration on the transactions that may have conflict of interest and has decision for the Company's benefits. Directors and Managements are duty-bound to report the Company of their or related parties' beneficial interests, which are related to administration and management of the Company and subsidiaries. The Company has prepared the form on reporting interests of Directors and Managements as prescribed by law. Directors and Managements have to report any change to the Company and review such report on immediate report prior making any connected transaction. Company Secretary will send copies of such report to Chairman of the Board and Chairman of Audit Committee for information. Directors and Management who have beneficial interests in any transaction will not be entitled to vote on such transaction. The Company will strictly comply with the laws, notifications and criteria of the SET and the SEC.

### **Chapter 3 Role of Stakeholders**

The Company recognized the importance of stakeholders' rights, engages in no conduct that violates the stakeholders' rights and promotes the cooperation between the Company and stakeholders concerned which will enhance ensure the Company's sustainable stability.

Stakeholders of the Company comprise of shareholders, customers, trade partners/creditors, competitors, employees, government sector, community/society, and environment.

1. The Company has developed and adopted a code of business ethics for all its Directors, Management and employees to acknowledge and strictly follow as guidelines in work performance, and imposed penalty in case of non-compliance, which has disclosed through Company's website: [www.richasiasteel.com](http://www.richasiasteel.com) in topic "Code of Business Ethics".

2. The Company has established a corporate social responsibility policy and conducted activities that represent its implementation of such policy, as well as promoted and supported its



employees' participation in such implementation, which have show in item 10. "Corporate Social Responsibility" (CSR).

3. The Company has mapped out an anti-bribery and anti-corruption policy, and supported activities that promote and encourage all employees to perform in conformity to the relevant rules and laws, which has disclosed through Company's website: [www.richasiasteel.com](http://www.richasiasteel.com) in topic "Code of Business Ethics".

4. The Board has imposed whistle blowing and complaint measures in relation to possible legal offenses, accuracy of financial report, defective internal control system, or breach of code of ethics, and put in place mechanism to protect the rights of whistle blowers and complainants, such as keeping their identities in confidentiality, etc., to encourage stakeholders to join in taking care of the interests of the Company more efficiently.

Direct channel for whistle blowing or complaint filing to Audit Committee members (independent directors) of the Company are

1. By post: Send to Audit Committee members of Rich Asia Steel Plc., No. 636 Bangkhunthian-Chaithalay Road, Thakham Subdistrict, Bangkhunthian District, Bangkok 10150

2. By email: [audit@richasiasteel.com](mailto:audit@richasiasteel.com)

#### **Chapter 4 Disclosure and Transparency**

The Board gives importance to complete, timely and transparent disclosure of important information relating to the Company, both financial and non-financial, to the shareholders and investors as well as parties concerned on an equitable and reliable basis.

1. The Company provide dissemination of news and information according to SEC and SET regulation, including other relevant information such as financial statements, operating results, annual disclosure registration (form 56-1), annual report, and other information disclosed to the public via the SET's electronics system for investors on complete, timely and equal access.

2. Besides information disclosure as per regulation via SET channel, the Company has disclosed major information relating to the Company, such as business information, list of Directors and Managements, financial report, shareholding structure, structure of group of companies, details on shareholders' meeting, form 56-1, annual report, news report to the SET, and corporate governance policy on the Company's website. Investors may read and/or download updated information at [www.richasiasteel.com](http://www.richasiasteel.com).

3. The Board has report of the Board of Directors' responsibility for financial reports accompanied with auditor's report in the annual report to exhibit the accuracy, truthful and reasonably Company's financial reports in compliance with the accounting standards and appropriated policies on a consistency practice.



4. The Board encourage the Company to provide clarification of management discussion and analysis (MD&A) to disclosed in annual financial statements so that investors can better acknowledge information and understand changes occurring in the Company's financial position and operating results in each year which is not solely numeral data in the financial statements.

5. The Board ensures to disclose audit fee and other service fees.

6. The Board ensures to disclose of name-list, roles and responsibilities of the Board and Committees, number of meetings held, and number of meeting attendance by each director in each year, including professional knowledge and training of Board and committee members.

7. The Board ensures to disclose policy on remuneration payment Directors and top Managements, and amount of remuneration paid to top four Directors and Managements from Chairman of Executive Committee downward. The amount disclosed will also include remuneration received by each director in subsidiaries (if any).

8. The Company assigns Company Secretary to take charge of communicating with investors/shareholders as center for disseminating the Company's news and information. For more information, investors/shareholders may contact Company Secretary, telephone: 0 2453 6277 ext. 313, or email: [secretary@richasiasteel.com](mailto:secretary@richasiasteel.com).

## **Chapter 5 Responsibilities of the Board**

The Company recognized the importance of the Board of Directors' roles and responsibilities for the Company and the shareholders, whereby the Board is responsible for overall performance of duties in the best benefits of the Company and the shareholders.

### **1. Board structure**

1.1 The Board is composed of at least five members, and half of them must have domicile in the kingdom. Independent directors shall represent at least one-third of the total number of Board members and be no fewer than three.

1.2 The Board members comprise professionals with leadership, vision, knowledge, capabilities and experience in the fields beneficial to the Company, and possessing qualifications as prescribed by law and articles of association of the Company, as well as dedication of time and efforts in performing duties properly with integrity, prudence and due care for the best benefits to the Company and fairness to the shareholders.

1.3 The Board requires qualifications of independent directors to be more strictly than those prescribed by the notification of the Capital Market Supervisory Board as follows,

1) Not hold shares of the Company in excess of 0.5% of the total number of voting shares of the Company, or the Company's parent, subsidiary or associated company, or the Company's major shareholder, or the person having controlling power over the Company, while the number of shares held by any person related to the independent director must also be counted.



2) Not be and have not been a director participating in management role, an employee, an officer, an advisor who receives regular salary, or a person having controlling power over the Company, the Company's parent company, subsidiary, associated company, subsidiary at the same level, or major shareholder, or a person having controlling power over the Company, unless such independent director has not been a person referred to above for at least two years, excluding independent director who has been a government official or advisor to a government agency which is the Company's major shareholder or a person having controlling power over the Company.

3) Not be a person having relationship either through bloodline or legal registration as the father, mother, spouse, sibling and child, as well as the spouse of a child of an Management, major shareholder, a person having controlling power, or a person to be nominated as the Management or that who has controlling power over the Company or its subsidiary.

4) Have no or have had no any business relationship with the Company or its parent company, subsidiary, associated company, major shareholder, or person having controlling power over the Company, in a manner that may prevent his/her due and independent use of discretion; and also not be and have not been a shareholder in material respect or a person who has controlling power over the person with business relationship with the Company, its parent company, subsidiary, associated company, major shareholder, or a person having controlling power over the Company, unless such independent director has not been a person referred to above for at least two years.

Business relationship in the above paragraph shall cover any ordinary course of business or trade for business engagement purpose, property rent or lease, transaction relevant to asset or service, giving or receiving financial assistance in form of loan or guarantee, offering assets as collateral, and any other similar conduct, which causes the Company or its counterparty to be liable for debt settlement to another party in an amount equivalent to 3% or more of the net tangible assets of the Company or 20 million baht or more, whichever is lower. The calculation of the said debt shall accord with the calculation of a connected transaction prescribed in the Capital Market Supervisory Board's notification regarding criteria on connected transactions *mutatis mutandis*. However, consideration of the said debt shall include the debt incurred during the 1-year period prior to the date on which such business relationship takes place.

5) Not be and have not been an auditor of the Company, its parent company, subsidiary, associated company, major shareholder, or a person having controlling power; and not be and have not been a shareholder in material respect, a person having controlling power, a partner of an auditing firm for which the auditor of the Company, or that of its parent company, subsidiary, major shareholder, or a person with controlling power over the Company has been working, unless such independent director has not been a person referred to above for at least two years.



6) Not be and have not been a professional advisor, including legal or financial advisor, who obtains fee more than two million baht a year from the Company, its parent company, subsidiary, associated company, major shareholder, or a person having controlling power over the Company; and not be and have not been a shareholder in material respect, a person with controlling power, or a partner of such professional service provider, unless the independent director has not been a person referred to above for at least two years.

7) Not be a director who has been appointed as a representative of the Company's director, the major shareholder, or the shareholder related to the Company's major shareholder.

8) Not engage in the business of the same nature as or competing with that of the Company or its subsidiary; or not be a partner in material respect in a partnership, or director participating in management role, an employee, officer, or advisor obtaining regular salary, or a shareholder holding more than 1% of total voting shares of any other company which engages in the business of the same nature as or competing with that of the Company or its subsidiary.

9) Not have any characteristics that prevent the director from giving independent opinions on the Company's operations.

1.4 The Company has segregated responsibilities between the Board of Directors and top Managements. Chairman of the Board shall be an independent director, not being the same person as the top Management and having no relationship with the management. The Board shall take the lead and play a vital role in deciding on policies, supporting and giving suggestions on business operations, and not being involved in normal daily operation which is under the management's responsibilities. Particularly, the independent director has a significant role of giving opinions to the Company. This will help balance the power of reviewing the Company's business administration.

1.5 The Board has appointed a qualified person as Company Secretary to perform as below:

1) Arrange shareholders' meetings and Board meetings in accordance with the applicable law, articles of association of the Company, and other relevant procedures.

2) Prepare and retain directors register, invitation notice and minutes of Board meetings, invitation notice and minutes of shareholders' meetings, and annual report.

3) Maintain reports of beneficial interests of directors and Managements for submission as required by law.

4) Ensure disclosure of news and information in the part under responsibility to the relevant regulatory bodies.

5) Provide preliminary advice and recommendations pertaining to legal, regulatory and governance issues and practices to the Board.



6) Follow up activity and support performance of duties of the Board and the Company to conform to the applicable law, the Board resolutions, the resolutions of the shareholders' meetings, and relevant rules and regulations.

## **2. Term of directorship**

2.1 At every annual general meeting of shareholders, at least one-third of the directors shall retire by rotation. If the number of directors is not a multiple of three, the number of directors closest to one-third shall vacate. The director to vacate in the first year and the second year after the Company's establishment registration shall be determined by drawing lots, and in the years afterward, the director who has held office longest shall vacate. A retiring director is eligible for re-election.

The Company has not stipulated the number of term of directorship each director is entitled to, viewing that its directors knowledgeable and competent, having set policies and given advice on solutions of problems in the business operations at the standards expected by the Company. Therefore, to ensure consistency in the business management and for the benefits of the Company, election of qualified persons to assume directorship is the right of the shareholders to decide on the persons to perform duties on their behalf in formulating policies and overseeing the Company owned by the shareholders.

Besides retiring by rotation, a director shall vacate in any of the following cases:

- (1) death
- (2) resign
- (3) disqualified or prohibited as prescribed by public company law
- (4) resolution of the shareholders' meeting
- (5) the court's order

2.2 Any vacancy among Board members occurring otherwise than by rotation, the Board may elect any person having qualifications and not prohibited as prescribed by the public company law as director to fill the vacancy at the next meeting, unless the remaining duration of the director's term of office is less than two months. Any person who be appointed on substitution shall retain the remaining term of the vacating director.

2.3 Each director may hold directorship not more than five listed companies.

2.4 Directorship of Chairman of the Executive Committee and top Managements of the Company in other companies shall be subject to approval by the Board.

## **3. Roles, duties and responsibilities of the Board**

3.1 Perform duty in conformity to the law, and the objectives and articles of association of the Company, as well as the resolutions of the general shareholders' meetings; and have the power to perform as specified in the memorandum of association or those related thereto. The Board may assign any one or several persons to perform on the Board's behalf. By such assignment, the assignee shall have no power to approve the transaction in which he/she or a person that may have conflict ("person



that may have conflict” shall be defined as prescribed in the notification of the SEC) has beneficial interests or may have conflict of interest in any other nature with the Company or subsidiary.

3.2 Oversee and determine the Company’s significant policies regarding principles in business operations, finance, fund raising, capital management, and risk management.

3.3 Consider investment matters, by approving budgets for investment projects of the Company, and monitoring the implementation of such projects in line with the plans set out.

3.4 Oversee the Company’s business operation to make sure it meets or exceeds the targets set forth, and lay down solution guidelines to cope with any problems and obstacles in order to meet or exceed the targets set forth.

3.5 Ensure the Company prepares reports on general and financial information to be submitted to the shareholders and stakeholders or investors in general in an accurate and timely manner and as prescribed by the law.

3.6 Acknowledge significant audit reports of Audit Committee or Internal Audit Department as well as the external auditor and advisors of the Company, and have the duty to establish guidelines for improvement or remedy in case of finding any material deficiencies.

3.7 Review and opine on adequacy and appropriateness of the Company’s internal control and risk management systems.

3.8 Put in place a succession plan for human resource management.

3.9 Appoint Audit Committee members and endorse scope of power, duties and responsibilities of Audit Committee

3.10 Appoint Executive Committee and endorse scope of power, duties and responsibilities of Executive Committee.

3.11 Consider matters with conflict of interests with prudence, with clear guidelines and in the best interests of the Company and the shareholders as a whole, as well as ensuring persons with beneficial interests not participating in the decision making process; and monitor to ensure performance conforms to the criteria and procedure in place and disclosure of such transactions is accurate and complete.

3.12 Establish written corporate governance policy and ensure review of the policy and the implementation of which is carried out at least once a year.

3.13 Draw up written code of business ethics for all directors, Managements and employees to understand the business framework and work procedure and practice; and ensure review of the code and the implementation of which is carried out at least once a year as well as there is strict compliance with which regularly.

3.14 Institute an internal audit work unit to take charge of examining the internal control system and significant transactions on a regular basis, to make sure the system is efficient which will enhance



reliability of the Company's financial statements. Audit Committee shall be tasked with supervising the internal audit work unit, covering operation, compliance, dealing with irregularities, and appropriate risk management for the maximum benefits of the Company.

3.15 Make available whistle blowing channel to Audit Committee members via the Company's website.

3.16 Put in place a governance mechanism on subsidiaries to protect the Company's investment benefits, thereby the Company will consider candidates qualified for charging on the boards of subsidiaries to control subsidiaries' operations in line with the Company's policy and to ensure their transactions are carried out with adherence to the law, and the SET and the SEC criteria.

#### **4. Nomination and appointment Directors and top Management**

At present, the Company has not yet appointed the Nomination Committee to take charge of its director and top Management nomination process. However, the Board has considered qualified persons using the nomination criteria and method in place based on the qualification criteria pursuant to Section 68 of the Public Limited Companies Act, B.E. 2535 (1992) and other relevant laws, and focusing on persons with capabilities, knowledge, competence, experience and expertise from diverse fields.

#### **5. Board meeting**

5.1 Meeting schedule for each year is planned and sent to each director in advance.

5.2 Board meeting is held at least four times a year.

5.3 Chairman of the Board and Chairman of the Executive Committee will jointly consider issues to be put on the agenda, and also allow directors to propose issues considered beneficial to the Company for the agenda.

5.4 Invitation notice and meeting documents are sent to all directors at least five business days in advance so that directors will have enough time to consider and study the details, except in urgent case where the document may have to be sent less than five business days in advance.

5.5 Each director should attend the meeting at least 75% of the total number of meetings held in each year.

5.6 Chairman of the Board will allocate adequate time for the management to present information and discuss major problems, and promote prudent exercise of discretion and adherence to good corporate governance.

5.7 The Board encourages top Managements to attend the meeting to give additional details of the issues under consideration as they are related directly to such issues.

5.8 The Board can acquire additional information as required from the management and company secretary, and if necessary, the Board may seek independent opinions from external advisors or professionals at the Company's expense.





## 6. Assessment of Board's performance

The Board has laid down criteria and made available assessment of the whole Board's performance once a year using the assessment form according to the SET guidelines and adjusted to be appropriate for the Company. The assessment form covers six topics, i.e. Board structure and qualifications; roles, duties and responsibilities of the Board; Board meeting; Board's performance of duties; relationship with the management; and Board's self-development and development of Managements. The assessment is not on an individual basis. It aims to allow all Board members to jointly consider and review their performance, problems and obstacles facing throughout the past year, in order to work out improvement and rectification. Result of the assessment will be concluded by the management and proposed for the Board's information. In 2013, the assessment of Board's performance is 96.44%.

## 7. Director remuneration

At present, the Company has not yet appointed the Remuneration Committee to consider and determine director remuneration. However, the Board has considered and determined director remuneration based on the Company's operating result, level of responsibility assigned, and comparison with that of other companies of the same or similar type and size of business, before submission to the annual general meeting of shareholders for consideration and approval.

Director remuneration is composed of meeting allowance and performance bonus, payable at 10% of dividend, but not exceeding 7 million baht.

Committee members whose assigned duties are additional duties from normal Board duties, i.e. Audit Committee members, are entitled to receive meeting allowance.

Managements receive remuneration in form of monthly salaries and annual bonus, mainly performance-based.

The Company's annual payment of remuneration for Board and committee members and Managements shall not be too high when compared with average remuneration of listed companies on the SET and with maximum benefits of the Company taken into account.

The details of Director and Management remuneration have shown in item 8. Management Structure.

## 8. Development of directors and Managements

8.1 The Board encourages and supports training and provision of knowledge to Board members, Audit Committee members, and company secretary to ensure consistent improvement of their performance.

8.2 When a new director is appointed, the management or the persons assigned will prepare and make available documents and information beneficial to performance of duty of the new director, including introduction of the Company's nature of business and business direction to the new director.



8.3 The Board ensures the Company has drawn up an Management development and succession plan to cope with the situation when any of the top Managements cannot perform duty.

## 9. Committees

The Board has instituted two Committees to assist in monitoring and scrutinizing significant issues, i.e. Audit Committee and Executive Committee.

### 9.1 Audit Committee

Audit Committee is composed of at least three independent directors, with a term of office of three years, who are not directors assigned by the Board to decide on the business operations of the Company, the Company's parent company, subsidiary, associated company, subsidiary at the same level, or major shareholder, or a person having controlling power over the Company, and not directors of the parent company, subsidiary, or subsidiary at the same level that is a listed company, and appointment of whom shall be made by the Board. At least one of the appointed Audit Committee members shall have adequate knowledge and experience in reviewing the reliability of the financial statements. Duties and responsibilities shall be as assigned by the Board and meeting shall be held at least quarterly.

The current Audit Committee consists of 3 members, all of whom are Independent Directors. The Audit Committee named as follow:

Name	Position	Attending Meeting / Total Meeting (Times)
1. Mr. Surapong Churangsarit	Chairman of Audit Committee	4/4
2. Asst.Prof.Dr. Nakhun Thoraneenitiyan	Audit Committee	4/4
3. Asst.Prof.Dr. Apicha Boonpattarakan <sup>1)</sup>	Audit Committee	3/3

Remark 1) Appointed in the Meeting of Board of Directors No. 1 / 2013 on February 27, 2013 as Independent Director and Audit Committee.

Members of the Audit Committee No.1 and 2 have sufficient knowledge and experience to review the reliability of financial statements.

#### Scope of power, duties and responsibilities of Audit Committee

- 1) Review the Company's financial statements to ensure accuracy and adequacy.
- 2) Review and ensure that the Company has suitable and efficient internal control system and internal audit system, and review to ascertain that internal audit function is independent, as well as concur appointment, transfer or removal of head and/or officers of internal audit work unit or any other unit with task related to internal audit.
- 3) Review to ensure compliance with the laws on securities and exchange, the SET regulations, and other applicable laws relevant to the Company's business.



4) Select, nominate and recommend appointment of a person with independence as the Company's external auditor and fixing of the audit fee, as well as attend the meeting with the external auditor without participation by the management at least once a year.

5) Review connected transactions or transactions that may lead to conflict of interest to ensure transactions are conducted in compliance with the law and regulations of the SET and that transactions are entered with reasonableness for the maximum benefits to the Company.

6) Prepare Audit Committee report, signed by the Audit Committee Chairman, and disclose it in the annual report of the Company, containing at least the following information:

(a) Opinion on the accuracy, completeness and integrity of the Company's financial statements.

(b) Opinion on the adequacy of the Company's internal controls.

(c) Opinion on compliance with the laws on securities and exchange, the SET regulations, and other applicable laws relevant to the Company's business.

(d) Opinion on suitability of the Company's external auditor.

(e) Opinion on transactions that may lead to conflict of interest.

(f) Number of meeting held during the year and number of each member's attendance.

(g) Overall opinion and remark from performance of duties according to the charter.

(h) Other information, within the scope of the roles and responsibilities assigned by the Board, which is deemed necessary for the shareholders and general investors.

7) Other functions as assigned by the Board and with the consent of the Audit Committee.

## 9.2 Executive Committee

Executive Committee is prescribed by the Board to be composed of at least three members, but not exceeding five members, selection of whom is made from among Board members or employees or persons with knowledge and competence and not being members of Audit Committee. Duties and responsibilities shall be to supervise the Company's business operations as assigned by the Board and with reporting directly made to the Board.

At present, all 4 Executive Committees consist of following:

1. Miss Angkarn	Tantiviroon	Chief Executive Officer
2. Mr. Somkiat	Vongsarojana	Executive Committee
4. Mr. Teera	Phoncharoensuk	Executive Committee
3. Mrs. Nusara	Taravanich	Executive Committee

### Scope of power, duties and responsibilities of Executive Committee

1) Have power to decide on the Company's significant operational issues by determining scope, type or size of the business, objectives, business framework and policy within the scope of power



delegated, and supervising and monitoring the overall business operations, productivity, and relationship with customers, as well as having accountability for the Board.

2) Consider and approve the Company's procurement and investments for business expansion, including acquisition of fixed assets, for submission to the Board for approval in case such procurement and investments for business expansion, including acquisition of fixed assets, are beyond the scope of power and duties assigned by the Board.

3) Have power to decide on procurement and selling of raw materials in the production and/or the products and/or the component parts of the products, which is in the normal course of business operations, at the weight of not exceeding 30,000 tons per transaction.

4) Have power to approve expenses in the normal course of business operations.

5) Have power to conduct and express oneself as representative of the Company to external parties in the business related to and beneficial to the Company.

6) Consider the Company's fund raising activity for submission to the Board meeting.

7) Approve appointment of advisors in various fields as necessary to the business operations.

8) Conduct activity in relation to general business administration of the Company.

9) Consider and approve action plans of all departments, and requests submitted by them on the issues beyond their scope of authority.

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

#### Establishment of Authority Approval

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

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



and/or which is normal business transaction not over 200 million baht per transaction, and can approve to purchase and sell assets including normal business transaction i.e. operating expense and selling and administration expense not over 20 million baht per transaction. In case of beyond authorized limit, must propose to the Executive Committee for approval.

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

**Authorities and responsibilities of Chief Executive Officer**

- 1) Oversee all managerial matters.
- 2) Ensure that all company plans and managements reach the company's policy and the approved budget and/or the company's Executive committee.
- 3) Have authority and delegate to representative approve to purchase and employ for company's benefit. Such approval to purchase raw material and/or finished goods and/or which is normal business transaction not over 200 million baht per transaction and can approve to purchase and sell assets include expenses which is normal business transaction i.e. operating expense, selling and administration expense not over 20 million baht per transaction. In case of beyond the budget or authorized limit, must propose to the Executive Committee for approval.
- 4) Issuing order, regulation, announcement and report that will make the company reach their policy and benefit to the company.
- 5) Empower to act as the company representative with other person for any transaction which is benefit to the company.
- 6) Assign and approve all counselors for the company.
- 7) Be the authorized person who is 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) Have authority and delegate to representative approve to purchase and employ for company's benefit. It is approval to purchase and sell raw material and/or finished goods and/or which is normal business transaction within approval limit by Board of Directors and can approve to purchase and sell assets include expenses which is normal business transaction i.e. operating expense and selling and administration expense not over 0.5 million baht per transaction. In case of beyond the budget or authorized limit, must propose to the Chief Executive Officer for approval.
- 4) Issuing order, regulation, announcement and report that will make the company reach their policy and benefit to the company.
- 5) Empower to act as the company representative with other person for any transaction which is benefit to the company.
- 6) Assign and approve all counselors for the company.
- 7) Be the authorized person who is 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.

**Overseeing the operations of its subsidiaries**

The Board of Directors has oversight mechanisms that enable to manage and responsible for the subsidiaries' operations in order to maintain interest in the company's investment by nominated Directors and Managements to be directors in Subsidiaries and such nomination has been approved by the Board of Directors.

In addition, the Directors and Managements who have been appointed by the subsidiaries must monitor its subsidiaries to have regulations regarding the related transaction, the acquisition or disposition of assets, or any other major transaction of subsidiaries to be complete and correct and apply the rules relating to the disclosure and the above transaction in the same manner as the Company's criteria including monitoring the information storage and accounting system of the subsidiaries that can be audited and gathered for consolidation the financial statements in due time.



#### Use of inside information policy

The Company has instituted a policy on securities trading and use of inside information not yet disclosed to the public for personal or others' benefits and pass consent from Board of Directors as follows.

1. The Company has informed the Board members and the management of their duties to report their securities holding in the Company and that by spouse and underage children, to the Office of the Securities and Exchange Commission pursuant to Section 59 and penal provision pursuant to Section 275 of the Securities and Exchange Act, B.E. 2535 (1992), including the change in their securities holding in the Company and that by spouse and underage children, and to send a copy of the report to the Company on the same day as that of sending the report to the Office of the Securities and Exchange Commission.

2. The Board members, the management, and the employees are forbidden from using inside information not yet disclosed to the public and that of material respect in the way that may impact the Company's securities price for his/her own benefit; and from trading securities of the Company in the period of one month before the Company's financial statement or such inside information is disclosed to the public; as well as from disclosing material information to other persons.

The Company has imposed disciplinary penalty on the person seeking gains from using or disclosing inside information that may cause damage to the Company by penalizing that person as reasonable for the case, including verbal warning, written warning, probation, and termination of employment by way of dismissal, removal, or discharging, as the case may be.



Corporate Social Responsibility : CSR

CSR in Process

1. Overall Policy

The Company and Subsidiaries have policies to process the corporate social responsibility (CSR) projects continually and efficiency for corporate social responsibility management and corporate social responsibility monitoring by focus on CSR in process that concerned to the stability of economics, social, and environment under social responsibility which benefits to organization development and strengthen the business operation to grow stability.

2. Process of Corporate Social Responsibility

In 2013 the Company and Subsidiaries have begun the process of CSR projects by focus to the collaboration of community and social development which the objective for supporting to develop personnel in several profession to meet labor shortages and promote the professional skills and ability as well as the knowledge to individuals in community and society. The Company has participated in vocational bilateral system which is a partnership between the educational institutions and the company to develop skill workers to match the labor requirements. The students who attend this program will be studied both in education and vocational training in the workplace to achieve professional skills and direct experience. Upon graduation the students can compete and will be accepted from the workplace or they can study in the higher levels.

The Company and subsidiaries' reason to participate in vocational bilateral system due to the labor market's shortage of skill workers such as electrician and welder has joined the project with educational institutions in the community nearby the Company and subsidiaries by allow the students to train profession skill in order to develop the students' qualification matching to the Company and subsidiaries' real requirement.

- Rich Asia Steel Public Company Limited has joined with Sumutprakarn Technical Collage.

In December 2013, there are 10 students applying for career training at the plant which will be started in May 2014.

- Thai National Product Co., Ltd. (Subsidiary) has joined Nonthaburi Technical College. The professional training program will be started applying in 2014.

The Company also supports to generate revenue the nearby community by contacting to the education institutions which are Sumutprakarn Technical Collage, Bangkok Technology College and permit the students to be trained as trainee and recruit as an employee after graduation.

3. Business operation which impacted to Corporate Social Responsibility

- None -





#### CSR after Process

##### Activities which benefit to Corporate Social Responsibility and Environment (after process)

In 2013 the company has supported the CSR activities (after process) as follow :

- Having careful measures to prevent the nearby communities affected from the operations of the company such as having a wasted water treatment and water reuse in the production cycle without releasing into the surrounding area or community.

- Generated income to the community and employ the people who live in nearby area.

##### **Additional Guidelines on prevention the corruption involvement.**

The Company has policy of anti-corruption and having written guidelines in the Code of Ethics in Business which has been approved by the Board of Directors and announced to the Directors, Management and Employees to aware of and adhere to the guidelines in their operation. The audit committee and the auditors have also reviewed the adequacy of internal control systems, The company provides the channel for reporting if anyone notice the inappropriate behavior, fraud, non-compliance with laws or regulations issued by government agencies which has been posted on the company's website: "[www.richasiasteel.com](http://www.richasiasteel.com)" under the topic of "business ethics" and the Board of Directors has determined to review the appropriateness of policy annually.



## Internal Audit and Risk Management

Board of Director's Meeting no 1/2014 on February 28, 2014 which all 3 Audit Committees were in the meeting. They evaluated the adequacy of Internal Audit System of Rich Asia Steel Public Company Limited in 5 areas of Internal Audit System which are organization and environment, risk management, controlling management performance, information system and follow up system. The meeting has an opinion that the company has adequate internal control system as follow:

1. Organization and Environment

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

2. Risk Management

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

3. Controlling Management Performance

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



4. Information System & Communication

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

5. Follow up System

The company provides meeting between the Audit Committee and top executive quarterly. In 2013 there are four times meeting to summarize internal audit report and monitoring report with Management.

The company has established the Internal Audit Department on 3 October 2005 to assess, analyze risk factors and provide feedback of internal control system which is including the financial audit, operation audit, compliance audit, reviewing related transactions, and arrange audit report presented to the Audit Committee. The recommendation of the Audit Committee regarding credit term approval is in accordance. There is also a meeting with management to consider about the observations and recommendations from the review of financial statement by external auditor regarding the transaction of extension of deposit for investment.

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

**Head of internal audit**

In the meeting of Audit Committee No.6/2007 which was held on 13 November 2007 endorse that Mr. Vorapoj Chaisantana was in the position head of internal audit since November 2007, Mr. Vorapoj has experienced in internal audit for 20 years and has trained in Internal Audit Course at Internal Auditors of Thailand. So, he is appropriate to perform in this position because he understands in all activities and operations of the company.

Thus, the consideration to appoint, rotate, lay off head of Internal Audit should be consent from Audit Committee.



## Related Parties Transactions

The transactions between the Company and any person who may have conflicts of interest that occurred in 2013 and the year 2012

Company / People	Relationship	Transaction Account	2013 (Million Baht)	2012 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
G. T. Steelwork Co., Ltd.  Nature of Business:. Manufacturer and distributor of steel and scrap iron.	Miss Angkakarn Tantiviroon, director and shareholder of the Company, and family held 34.81%, respectively in G.T. Steel Work Co., Ltd.	1. Payable  2. Other creditors  3. Check Advances - other  4. Other expenses	8.647  3.100  -  -	8.647  3.100  0.200  3.084	<p>- Payable in 1<sup>st</sup> and purchase in items occurred by G.T. Steel Works. The transaction was trading of goods which was normal terms and conditions that can be compared with non-related customers.</p> <p>- The 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> items occurred by The Company purchased materials from G.T. Steel Co., Ltd. Terms and conditions are normal business transaction which can be compared with non-related customers.</p> <p><b><u>Audit Committee's Opinion</u></b> These related parties transactions are reasonable and benefit to the company. Terms and conditions are normal business transactions.</p>



Company / People	Relationship	Transaction Account	2013 (Million Baht)	2012 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
<p>A.T. Steel Co., Ltd.</p> <p>Nature of Business: Steel distributor of various types. (Current and business-related and iron).</p>	<p>Miss Angkakarn Tantiviroon, director and shareholder of the Company, and family held 100%, respectively in A.T. Steel Work Co., Ltd.</p>	<p>1. Other creditors</p> <p>2. Check Advances - other</p>	<p>-</p> <p>-</p>	<p>0.600</p> <p>0.150</p>	<p>- The 1<sup>st</sup> and 2<sup>nd</sup> items occurred due to the company lease land and building for being distribution center to distribute products to customers. Such leasing has good condition and the leasing fee is beneficial to the company, compared to rental free charged by non-related parties. For the public utility expense from A.T. Steel Co., Ltd. was the water supply expense that A.T. Steel advance paid and billed such expense to the company.</p> <p><b><u>Audit Committee's Opinion</u></b></p> <p>These related parties transactions are reasonable and benefit to the company. Terms and conditions are normal business transactions.</p>
<p>Miss Angkakarn Tantiviroon</p>	<p>Chief Executive Officer director and shareholder of Rich Asia Steel PCL (As of January 17, 2013 which holding companies 4.34% of paid-up common shares)</p>	<p>Guarantees of mortgage contracts and land without any compensation or other benefits.</p>	<p>Without considering any other benefits.</p>	<p>Without considering any other benefits.</p>	<p>Miss. Angkakarn Tantiviroon contracted a guarantee to secure loans in favour of the company to financial institution without considering any other benefits.</p> <p><b><u>Audit Committee's Opinion</u></b></p> <p>Such transaction is beneficial to company's operation and reasonable.</p>



Company / People	Relationship	Transaction Account	2013 (Million Baht)	2012 (Million Baht)	Necessity, reasonableness and Audit Committee's Opinion
Freedom Hill Co., Ltd.  Nature of Business:. Alienation and management. Otherwise the land. Right to lease the land for all types of building work.	Former director of the company is Mr. Prisadamg Skolpadungket. He had been a director and shareholder.  (Mr. Prisadamg Skolpadungket has resigned from the director on February 7, 2011.)	Guarantees of mortgage contracts and land without any compensation or other benefits.	No transaction	No transaction	Freedom Hill Co., Ltd. contracted a guarantee and mortgage land to secure loans in favour of the company to financial institution without considering any other benefits.  <u>Audit Committee's Opinion</u> Such transaction is beneficial to company's operation.

As of December 31, 2013 the company received loans from 3 commercial banks of the overdraft loan, short-term loan, letters of credit / trust receipt and note receivable discount, long-term loans (outstanding) total amount of 1,635.63 million Baht, all secured by the mortgage of land and buildings of the company and guaranteed by Miss Angkarn Tantiviroon with land and buildings of the director.



---

### The measure or step of approval for the related transactions

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

### Policy and the tendency of future related transaction

#### **1. Related transaction between the company and the related persons**

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

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

#### **2 Policy for the future other related parties' transactions**

In the future, if the company has the necessity to make the related parties transaction including to the companies that used to relate with the company (presently, no more related to the company as disclosed in the related transaction table) or the company has to make the related transaction with the person who might has the conflict of interest or might has the conflict of interest in the future, such transaction will be made incase the company has the necessity. The company also has the policy to set any condition according to normal business term and market price which can be compared with the price of non-related parties. The audit committee will be the one who gives opinion about the necessity and suitability of such transaction. In the case where the audit committee has no expertise to inspect the related transaction that might happen, the company will ask for the opinion about such related transaction from the companies auditor or independent experts in order to use such opinion for the consideration of the board of directors or the share holders depending on the case.

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



## Financial Highlights

Statement of Income

	2011	2012	2013
			Unit : Million Baht
Revenue from sales and services	4,190.41	3,017.84	3,570.10
Gross Profit	(2.96)	(88.54)	(24.97)
Loss before financial cost and tax	(203.82)	(110.89)	(182.44)
Loss for equity holders of the parent	(389.22)	(355.60)	(357.92)

Statement of Financial Position

	2011	2012	2013
			Unit : Million Baht
Total assets	4,323.88	4,286.99	3,961.33
Total liabilities	2,950.77	3,292.69	3,380.88
Share capital-common shares			
Authorize share capital, par 1.00 baht	4,000.00	4,000.00	1,500.00
Issued and fully paid-up share capital, par 1.00 baht	1,000.00	1,002.91	1,002.91
Total equity attributable to owners of the parent	1,010.05	659.38	312.89
Non-controlling interests	363.07	334.93	267.57

Financial Ratio

	2011	2012	2013
Liquidity Ratio(times)	1.24	0.96	1.26
Gross Profit Ratio (%)	(0.07)	(2.93)	(0.70)
Net Profit Ratio (%)	(0.10)	(13.90)	(11.78)
Return on Equity Ratio (%)	(30.42)	(42.60)	(73.63)
Debt to Equity Ratio (times)	2.15	3.31	5.82

Remark : 1. Above financial statement was consolidated financial statement

2. 2011 and 2012 restated financial statement





## Management's Discussion and Analysis (MD&amp;A)

## 1. Analysis of past performance

(Unit: Million Baht)

	2011		2012		2013	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from sales and services	4,190.41	100.00	3,017.84	100.00	3,570.10	100.00
Cost of sales and services	4,193.37	100.07	3,106.38	102.93	3,595.06	100.70
Gross Profit	(2.96)	(0.07)	(88.54)	(2.93)	(24.97)	(0.70)
Other incomes	48.29	1.15	44.81	1.48	38.94	1.09
Revenue before expenses	45.33	1.08	(43.73)	(1.45)	13.97	0.39
Expenses	249.15	5.95	67.15	2.23	196.41	5.50
Loss before financial costs and tax	(203.82)	(4.86)	(110.89)	(3.67)	(182.44)	(5.11)
Finance costs	203.61	4.86	337.97	11.20	274.48	7.69
Loss for the year attributable to equity holders of the parent	(389.22)	(9.29)	(355.60)	(11.78)	(357.92)	(10.03)

Remark: 2011 and 2012 ฎ 2554 restated financial statement

### Overview of Operating Performance

Company and its subsidiaries had revenue classified by product category consist revenue from the distribution of round bar, steel products, structural steel products and spun piles include delivering and pile driving.

Operating performance in 2013 with revenue amount of 3,570.10 million baht ,increased 552.26 million baht or 18.30% from the same period last year due to the company had orders from customers increased and construction sectors have increase expanded and in 2512 suffered the effects of flooding resulting demand for steel decreased, construction projects delayed the project, which affected both the steel and spun pile industry of the company.

The main cost of products steel, which is the main raw material in steel and spun pile production. In 2013, still had price competition from steel producing countries in the Asian region result to domestic manufacturers and suppliers had to import steels in a large quantity, that a result of fluctuations in the market price of steel and caused a slowdown of the major domestic manufactures, which the government had imposed Safeguard measures against imports of steel, resulting in higher costs. In addition the main raw material of spun pile production such as cement, gravel, sand that adjusted higher cost due to the demand of the market has increased, fuel energy cost is rising result to the cost of production in higher rate.

However, in 2013 the Company and subsidiary company still had the financial cost is high and had Loss from sale investment in securities available for sale for repayment to financial institutions according to the debt restructuring agreement, which this loss occurred in the 2013 if the company has



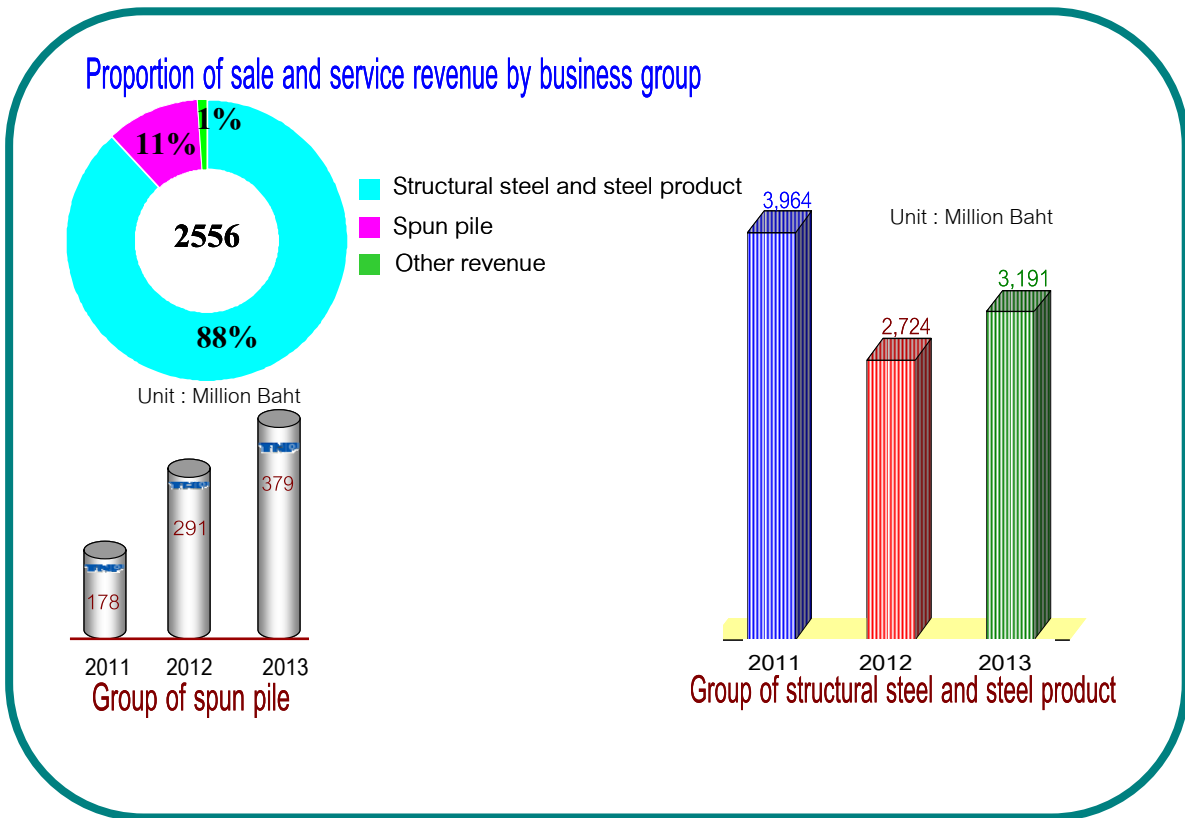
success according to the debt restructuring, will able to reduce a lot of financial cost , that result to a better operating performance of the company in the period which success according to the agreement. Therefore for this reason, in 2013 the company was still net loss for the year attributable to equity holders of the parent amount of 357.92 million baht. In order that, in 2013 the company represented to the decreased profit 2.32 million baht or 0.65% comparing to 2012 as the restated financial statement.

Operating performance of the company and subsidiaries in 2013 as summarizes the follows:

1) Operating performance

Revenue

Total revenue of the company and subsidiaries in 2011, 2012 and 2013 were 4,238.70 million baht, 3,062.64 million baht and 3,609.04 million respectively. The total revenue in 2012 decreased 27.75 % from in 2011 and 2013 increased 17.84% from in 2012.



In 2013 the Company had revenues from sales of structural steel products and steel products 88.42% and from sale of spun piles include delivering and pile driving , which was the business of a subsidiary 10.50%, increased 63.48 from 2012 due to in 2013, the company received a large construction project, such as power plant projects, office building and factory projects, resident buildings and other parts a variety of projects.



For sale and service revenue in 2011, 2012 and 2013 were 4,190.41 million baht 3,017.84 million baht and 3,570.10 million baht respectively. Sale and service revenue revenue in 2012 and 2011 decreased 27.98 % and 2013 increased 18.30%.

The main causes of the decrease in revenue due to the flood in 2011, which affect the production and distribution of products, because several projects to slow down the construction and in addition transportation problems which could not transport during that time, that affected still ongoing to the first quarter in 2012 , result to revenue of the company and subsidiaries decreased. In addition, in the 2012, steel industry affected from price competition of global such as China, which affect the domestic steel price fluctuations, wholesalers retailers and other industries did not have confidence in the price of products, thus reduced order for stock, that result to sale and revenue from production of the Company and its subsidiaries decreased from the past year.

Therefore, in 2013 was during the expansion of the construction sector from of the investment policy in transportation projects, therefore, the construction rate has increased from year 2012, that result to revenue of the company has increased, but not too much due to the period of the end of 2013, Thailand faced with a political problem, that result to economic and investment slowdown.

The company had other revenue, which not from sale in 2011, 2012 and 2013 were amount of 48.29 million baht, 44.81 million baht and 38.94 million baht respectively. For in 2011, the company had gain on bargain purchase of subsidiary company 22.68 million baht and revenue from written off accrued expenses 12.21 million baht. The majors items in 2012 were gain on sales of fixed assets 23.17 million baht. For the major of other income in 2013 was revenue of rental of the property.

#### **Cost of sales and services**

The company had the proportion of cost of sale and service increased in 2012 and decreased in 2013 due to many important factors, such as the fluctuating of raw material prices, importing problem of raw materials with higher costs that affected to not requirement in quantity of stock of entrepreneur due to not confident in steel price situation, that result to the company and subsidiaries had quantity of production for support to the demand of the customers decreased, as a result to the allocation of depreciation was a key of factors that result in higher production costs per unit, as a result, the Company and subsidiaries has increased the cost of sales was not worth the revenue of sale and services.

#### **Expenses**

In 2013, the company had proportion in selling administrative and other expenses increased from 2012 amount of 129.26 million baht or 192.49%, administrative expenses has transferred the cost of rental property, which originated in cost of sales and services to cost of administration. In addition, the Company had loss from sale investment in securities available for sale 70.83 million baht to repayment



with financial institution according to the debt restructuring agreement, which is discussed above. Expenses increased from the same period last year 67.11 million baht or 1,801.58%.

Total expenses in 2013 was amount of 4,065.96 million baht or 112.66% of total revenue, which important expense were finance cost 274.48 million baht or 7.60 % of total revenue, decreased from 2012 amount of 63.49 million baht or 18.79%. In order that, the company had a debt restructuring agreement with a financial institution, as a result to the default interest rate decreased from the same period last year.

#### **Gross Profit**

The Company and subsidiaries 's gross profit in 2011, 2012 and 2013 were (2.96) million baht , (88.54) million and (24.97) million baht or (0.07)% , (2.93)% and (0.70)% of sale and service revenue respectively. Gross profit In 2012 was decreased and 2013 was increased by the reasons mentioned above.

#### **Net profit**

In 2013, the Company had a loss for the year amount to 425.28 million baht , which was attributable to non - controlling interests equity holders amount of 67.36 million baht , owners of the parent shareholders amount of 357.92 million baht .

In order that, considering income for the year attributable to the shareholders ad not include, in 2013 the company had loss 357.92 million baht and loss 355.60 million baht in 2012. In 2013, loss increased or profit decreased from in 2012, which restated financial statement amount of 2.32 million baht due to in 2013, the company had loss increased from sale investment in securities available for sale for repayment to financial institutions according to the debt restructuring agreement. For the subsidiary, which the company holding shareholder 51.88% had loss increased in 2013 due to the quantity of production was not worth with fixed expenses. And for the subsidiary, which the company holding shareholder 100.00% had revenue from sale and service increased, net income had increased from 2012, that result to consolidated financial statement loss increased 2.32 million baht or 0.65% of the same period last year.



## 2) Financial position of company

	2011		2012		2013	
	Million Baht	%	Million Baht	%	Million Baht	%
Total current assets	2,311.91	53.47	2,512.26	58.60	2,390.42	60.34
Total non - current assets	2,011.98	46.53	1,774.73	41.40	1,570.91	39.66
Total current liabilities	1,857.36	42.96	2,621.44	61.15	1,899.47	47.96
Total non - current liabilities	1,093.41	25.28	671.24	15.65	1,481.41	37.39
Share capital - common shares						
Authorized share capital , par 1.00 baht	1,500.00		4,000.00		4,000.00	
Issued and fully paid - up share capital, par 1.00 baht	1,000.00	23.13	1,002.91	23.39	1,002.91	25.32
Premium on share capital	415.42	9.61	413.97	9.66	413.97	10.45
Deficit	(464.20)	(10.74)	(819.79)	(19.12)	(1,177.71)	(29.73)
Other component of equity	58.83	1.36	62.29	1.45	73.72	1.86
Total equity attributable to owners of the parent	1,010.05	23.36	659.38	15.38	312.89	7.90
Non - controlling interests	363.07	8.40	334.93	7.82	267.57	6.75
Total shareholders' equity	1,373.12	31.76	994.30	23.20	580.46	14.65

Remark: 2011 and 2012 restated financial statement

### 2.1) Asset Components

In 2013, total assets 3,961.33 million decreased from 4,286.99 million baht as end of 2012, which decreased 325.66 million baht, transaction of increased assets consist trade and other accounts receivable decreased 241.40 million baht, investment in securities available for sale 129.56 million baht for repayment to financial institution, advance payment for goods decreased 35.12 million baht, restricted bank deposit decreased 23.98 million for repayment to financial institution and property, plant and equipment decreased 62.22 million baht, a part from the sale of buildings, vehicles, and office equipment and tool not in use. And a part from an increase in accumulated depreciation of normal use and a part from increased of accumulated depreciation from the normal use.

For the increased of assets that were significant, such as inventories increased 155.67 million baht due to inventories at the end of the period, which will gradually deliver customer orders in the first quarter of 2014 and retention receivable 20.94 million baht, due to performance of subsidiaries from selling of spun pile and pile driving delivered to customers in greater quantities, which is in terms of the performance bond in such goods.



The significant of increased and decreased were as follows:

#### Trade accounts receivable

2011, 2012 and 2013 the company and subsidiaries had total trade accounts receivable 1,345.40 million baht, 1,888.77 million baht and 1,647.37 respectively. In order that, in such amount were trade accounts receivable in 2011, 2012 and 2013 amount of 1,322.78 million baht, 1,863.65 million baht and 1,622.50 respectively, which represented aging of trade accounts receivable as follows:

#### Aging of trading account receivable

(Unit : Million Baht)

	2011	2012	2013
Within credit term	793.03	589.76	918.23
Over due 1 to 90 days	491.23	365.51	480.52
Over due 91 to 180 days	10.40	784.28	171.63
Over due 181 to 365 days	28.16	123.01	49.88
Over due over 1 year	47.27	53.80	57.34
Total	1,370.09	1,916.36	1,677.60
Less : Allowance for doubtful	(47.31)	(52.71)	(55.09)
<b>Net account receivable</b>	<b>1,322.78</b>	<b>1,863.65</b>	<b>1,622.51</b>

As end of 2013, trading account receivable of the company and subsidiaries was with credit term 918.23 million baht, over due 1-90 days 480.52 million baht and over due 91 days to 1 year total amount of 278.85 million baht. The company had the policy in the tracking of accounts receivables closely and has considered credit accounts more efficiently, that result to account receivable, which over due 91 days to 1 year decreased 682.24 million baht from 2012.

#### Inventories (Net)

#### Component of Inventories

(Unit : Million Baht)

	2011	2012	2013
Finished goods	161.40	320.82	437.88
Raw materials	248.75	119.79	133.75
Goods in transit	-	-	28.73
Work in process	0.85	0.42	0.27
Supplies	11.99	14.45	11.06
Less Allowance for declining in value of inventories	(15.02)	(14.00)	(14.55)
<b>Net Inventories</b>	<b>407.97</b>	<b>441.47</b>	<b>597.14</b>



As end of 2013, the company and subsidiaries had inventories amount of 597.14 million baht, increased from the last year 155.67 million baht or 35.25% by the main of inventories was finished goods, that the company procured for preparation of delivery to customers in 2014 according to order of customers.

#### Property, plant and equipment

As end of 2013, Property, plant and equipment amount of 1,503.80 million, decreased from 2012 amount of 62.22 million baht due to selling of buildings, vehicles, and office equipment and tool not in use to finance the working capital that result to decreasing the property value and partly from the depreciation of the assets.

## 2.2) Liquidity

(Unit : Million Bath)

	2011	2012	2013
Profit (loss) from operating activities before change in operating assets and liabilities	53.01	(23.61)	34.02
Net Cash Receive and Payment from Operating Activities	547.30	(57.29)	47.68
Net Cash Provided by (Used in) from Operating Activities	600.31	(80.90)	81.70
Net Cash Provided by (Used in) from Investing Activities	(808.65)	64.93	38.87
Net Cash Provided by (Used in) Financing Activities	203.91	9.47	(123.60)
<b>Net decrease in cash and cash equivalents</b>	<b>(4.43)</b>	<b>(6.49)</b>	<b>(3.03)</b>
Cash and Cash Equivalents - Beginning of Year	18.86	14.42	7.93
Cash and cash equivalents-End of year	14.42	7.93	4.90

**Remark :** Statement of cash flows from consolidated financial statement

The nature of business of the Company and subsidiaries to supply steel products and spun pile with a variety of size and types of products and are reserved in the warehouse to keep up to demand of the customer by purchasing with cash, trade credit and loans from financial institutions for the purchase of raw materials to the processing of steel and sold by credit to customer, thus the company need for a lot of working capital both from financial institutions and capital of the company to use for reserve raw materials and finished goods.

Statement of cash flows of the company and subsidiaries for 2013, the cash has been used in the activity as follows :

The company had profit (loss) from operating activities before changes in operating assets and liabilities 34.02 million baht and net cash receive and payment from operating activities 47.68



million baht, which net cash provided by (used in) from operating activities 81.70 million baht as the follows :

Net cash items in operating assets and liabilities amount of 47.68 million baht, were the major items as the following

- Net cash received (paid) from operating assets amount of 84.40 million baht , for the major items such as inventories increased 70.26 million baht, retention receivable increased 20.94, other non current assets increased 0.11 million baht and non current assets increased 0.38 million baht and the major receive items were trade and other accounts receivable decreased 234.13 and advance payment for goods decreased 27.94 million baht.

- Net cash received (paid) from operating liabilities amount of (34.90) million baht, for the major received items such as advance received for goods 7.22 million baht and the major paid items such as trade and other accounts payables from other companies 36.12 million baht , trade and other accounts receivables from related companies 0.93 million baht and other current liabilities 5.08 million baht.

- Net cash received (paid) from other items (1.83) million baht were Interest income 0.63 million baht, cash received from corporate income tax and withholding tax 1.12 million baht and cash payment for corporate income tax and withholding tax 3.57 million baht.

Net cash items in investing activities amount of 38.87 million baht, were the major items as the following

- Net cash received from sale of investment in securities available for sale 70.16 million baht, cash received from sale of investment property 5.68 million baht , cash received from the restricted bank deposit 23.98 million baht and cash received from sale of property, plant and equipment from assets which not in use 0.23 million baht. The major paid items were investing in property, plant and equipment 61.17 million baht, which was the major investing in subsidiary company.

Net cash items in financing activities amount of (123.60) million baht, were the major items as the following

- Net cash received from cash received from loans from short - term loans from financial institutions 41.95 million baht, cash received from short - term loan from related person 5.00 million baht, cash received from short - term loan from other person 8.03 million baht. The major paid items were cash payment for Debt under restructuring agreement 133.89 million baht , cash payment for interest expenses 35.65 million baht, cash payment for short - term loan from related person 5.00 million baht, cash payment for short - term loan from other person 4.01 million baht and cash payment for liabilities under finance lease agreement 0.28 million baht.





### Liquidity Ratio

For liquidity ratio of the company and subsidiaries were current asset to current liability ratio in 2011, 2012 and 2013 equal 1.24 ,0.96 and 1.26 times. In 2013, liquidity ratio increased from 2012 due to sale revenue increased and able to collection from receivable increased, average period of collection in 2011, 2012 and 2013 were 140.05 days 196.02days and 181.20 days. For average sale period in 2014, 2015 and 2016 were 19.73 days 27.94 days and 37.99 days respectively and average period of repayment increased from 37 days in 2011 was 62 days, in 2012 and 2013 were 234 days. Cash Cycle in 2013 period decreased 178 days from in 2012.

The above ratio were consistent and continuous due to the company 's revenue from sales and services increased and the collection of receivables increased while period of repayment increased due to the last of 2013, the company has been affected from the political protests, thus slowing sales in the year and the collection of accounts receivable decreased. For the above reasons that result to the better liquidity of financial in 2013.

Interest Coverage Ratio in 2011, 2012 and 2013 were 4.12 times ,0.83 times and 1.42 times, which coverage ratio increased due to interest from loan in 2016, decreased from debt restructuring agreement with financial institute that result to default rate decreased from in 2012.

### 2.3) The source of fund

#### Liability

Liabilities of the company and subsidiaries as end of 2013 amount of 3,380.88 million baht, increased from in 2012 amount of 87.19 million baht due to loan from financial institutes in loans that due for repayment and liabilities under debt restructuring agreement increased and advance received for goods increased that result to debt to equity ratio increased 5.82 times in 2013, thus ratio in 2012 was 3.31 times.

#### Equity

Equity of the company and subsidiaries as end of 2013 amount of 580.46 million baht, decreased 413.84 million baht from in 2012, which equity holders of the parent in 2013 amount of 312.89 million baht decreased from in 2012 amount of 346.49 million baht. Major cause of the decline came from the company's net loss for the year 2013 amount of 425.28 million baht, which was loss for equity holders of the parent 357.92 amount baht, that loss from finance cost of the company and subsidiaries total amount of 274.48 million in 2013 and 337.97 million in 2012. Capital structure of the company was debt to equity ratio increased from 3.31 times in 2012, 5.82 times in 2013 and return on equity ratio (73.63)%.



From such a performance may affect decisions to raising fund investing of investors and shareholders of the company, which the executives have been aware of this problem as well. Currently, the company has planned and accelerate find a suitable method in solving problems in reducing risk in capital structure, which high interest, risk in debt and policies of producing and marketing the company to use the capacity of the company and its subsidiaries to maximize efficiencies to reduce the cost of production and planning in the competition in the business both domestic and overseas businesses for induce increased value of revenue to the company, which will result to the company's capital structure is going in the good direction.

## **2. Factors affecting the performance in the future**

The company and subsidiaries have analyzed factors that will affect the future operations of the group companies, which conduct business in the construction industry as follows:

### 2.1 Political stability

The steel industry and the production of spun pile or concrete products of the group company, that were in the business group that requires the investment of the construction sector from private sector and government sector. Therefore, political stability is an important factor to determine the direction of economic, trade and investment sector, which are defined in the investment policy of developing the country's infrastructure. Especially in the year 2014, a period that has to be prepared to open free trade AEC in 2015. Therefore, Thailand should be prepared in certainty political and accelerate cease the political problems, that the result to lacking of reliable to countries for investment or contact business.

Therefore, in 2014 the government should began preparing in the potential development of the country to accept from the international country, should accelerate development the infrastructure system, such as improving the road network and the rail system for support the expansion of the trafficking.

In order that, when the government is ready in them will affect the positive factors in the business construction sector, which will take more investment in the private sector, the construction industry will accelerate to invest for support to the increasing of expansion in the infrastructure, that result to the greatly beneficial to steel industry and spun pile or concrete products due to there will be a demand for such goods increased.

In the opposite direction, in case the domestic political problems not able to resolved, will result in investment and the economy is still slowing, which would affect to many businesses, like the slowing from construction sector and continual industry, such as electric vehicles that the stability in 2013 and continuity to the first quarter 1 of the 2014.



Therefore, the executives are expected to impact negatively on the current economic sectors affected by the venom of the political problems that have changed in the good direction quickly to build confidence in the economy of a country back.

## 2.2 Shortage of Raw material

As the Thai steel industry is currently in the country, which a few for the manufacturer of raw materials of steel hot rolled. Therefore, material management is done by domestic ordering and imported from abroad, but due to Importing of raw materials in last 2 years, hot rolled coil is affected by the Safeguard tax on imports and have a tendency to have increased at a rate of taxation for prevent the problem of competing against the domestic manufacturers, which have a few that affect to raw material prices that have higher costs due to a large of demand for quantity, but there are fewer producers in quantities which may affect the steel industry.

## 2.3 Transportation Systems

In currently, transportation systems is very important for industries, in order that of trade liberalization AEC, transport system will be developed to increase. Demand for transportation will increase, the private sector will need to be invested in vehicles increases, so expect future demand for energy and gas will increase that affect to cost of energy and fuel are higher direction that to the higher costs in transportation of industry, which affect the cost of production of steel and concrete products of the Group are tremendous.

## **Audit Fee**

### 1. Audit fee

The company and subsidiaries paid the audit fee to office of the auditor was BPR Audit and Advisory Co., Ltd., who are not related or there are conflicts of interest with the Company and subsidiaries, executive directors, the major shareholders, or related to such person, detailed compensation in fiscal years 2013 total 1,825 000 baht, which was the company's compensation amount of 1,210,000 baht and the compensation of two subsidiaries total amount of 615,000 baht.

### 2. Non-audit fee

The company and subsidiaries paid the other compensation , such as the preparation of financial statement , transportation, allowance for auditing and fiscal checking inventories as the actual expenses (if any) to office of the auditor ( BPR Audit and Advisory Co., Ltd). The compensation of the company in fiscal year 2013 total amount of 29,100 baht and two subsidiaries total amount of 44,000 baht.



Resume of Directors and Managements of Rich Asia Steel Public Company Limited as of December 31, 2013

Name Age / Position	Education	Relationship with Other management	* % of Shareholders as of Mar. 17, 2014	Experience	
General Watanachai Chaimuanwong Age : 70 Chairman (Independent Director)	Bachelor of Science Chulachomklao Royal Military Academy Command and Staff College#51 Royal Thai Army War College#28 National Defence College of Thailand#399  Director Accreditation Program (DAP) 89/2011	-None-	-None-	18 Mar. 2011 – Present 2010 – Present  2002 – 2003 2001 – 2002 1999 - 2001	- Chairman Rich Asia Steel Public Company Limited - Chairman Royal Turf Club of Thailand under Royal Patronage - Deputy Commander in Chief, Royal Thai Army - Assistant Commander in Chief, Royal Thai Army - Army Area Commander
Mr. Surapong Churangsarit Age : 58 Vice Chairman / Chairman of Audit Committee (Independent Director)	Master Degree Business Administration Ramkhamhaeng University  Bachelor Degree Business Administration Ramkhamhaeng University  Certified Internal Auditor (CIA) Director Accreditation Program (DAP) 52/2006	-None-	-None-	Present  2 Apr. 2010 - Present 27 Jan. 2006 - 2010 2002 - 2011  1999 - 2001	- Chairman of the Board The Institute of Internal Audit of Thailand (Agenda year 2014 - 2015) - Vice Chairman / Chairman of Audit Committee Rich Asia Steel Public Company Limited - Independent Director / Audit Committee Rich Asia Steel Public Company Limited - First Vice President Internal Audit Department Siam City Bank PLC. - AVP. Internal Audit DBS Thai Danu Bank PLC.
Mrs. Phimsiri Keeratithiansiri Age : 63 Director	Diploma Degree Accounting Bangkok Business College  Director Accreditation Program (DAP) 51/2006	Aunt of Ms. Angkakar Tantiviroon	3.33%	27 Jan. 2006 – Present 2000 – 2003  1992 - 1999	- Director Rich Asia Steel Public Company Limited - Accounting Manager Thanasam Import-Export Ltd.(Agricultural) - Auditor Assistant GT Steel Works Co., Ltd. (Produce and sell steel bars and scrap)
Dr. Rittirong Intarajinda Age : 50 Director	- Ph.D Candidate Electrical Engineering Thammasat University  - Master Degree	-None-	-None-	27 Jan. 2006 – Present 2014 - Present 2013 - Present	- Director Rich Asia Steel Public Company Limited - Secretary of Transportation Senate Committee - Lecturer, Faculty of Science and Technology



Name Age / Position	Education	Relationship with Other management	* % of Shareholders as of Mar. 17, 2014	Experience	
Dr. Rittirong Intarajinda (Continue)	Engineering King Mongkut's institute of Technology North Bangkok - Bachelor Degree Electrical Engineering Rajamangala University of Technology Phra Nakhon Chotiwet Campus - Advanced Certificate Course in Politics and Governance in Democratic Systems for Executives - Diploma, National Defence College, The State , Private Sector and Political Sectors Course Class 5  Director Accreditation Program (DAP) 52/2006			2013 - Present  2010 - Present  2007 - Present  1994 – Present  1991 – Present	Bangkokthonburi University - Managing Director Ban-non Co., Ltd. (Housing business) - Managing Director Cmac Esco Thailand Co., Ltd (LED Lamp business) - Managing Director Team Service System Co., Ltd. (Management Electrical system, water system and Air-condition system) - Managing Director Team Vis Construction Co.,Ltd. - Managing Partner Team Electric Engineering Partnership (Install Electrical system, Air-condition system and Communication system)
Ms. Angkarn Tantiviroon Age : 49 Director / Chief Executive Officer	Bachelor Degree Economics Ramkhamhaeng University Bachelor Degree Business and Finance Hasting College UK. University  Director Accreditation Program (DAP) 51/2006	Granddaughter of Mrs. Phimsiri Keeratithiansiri	4.34%	1 Oct. 2005 - Present  2011 - Present  2010 - Present  10 May 1999 – 30 Sep. 2005 2003 – 21 Jun. 2010 1989 – 2001	- Director / Chief Executive Officer Rich Asia Steel Public Company Limited - Director Siam Ferro Industry Co., Ltd. - Director Thai National Product Co., Ltd. - Director Rich Asia Trading (Thailand) Co., Ltd. - Planner Administrator Siam Ferro Industry Co., Ltd. - Manufacturing Director GT Steel Works Co., Ltd.
Mr. Somkiat Vongsarajana Age : 51 Director / Managing Director	Bachelor Degree Business Administration (First Honor) Bangkok University	-None-	0.20%	27 Jan. 2006 – Present  1 Oct. 2005 – Present	- Director Rich Asia Steel Public Company Limited - Managing Director Rich Asia Steel Public Company Limited



Name Age / Position	Education	Relationship with Other management	* % of Shareholders as of Mar. 17, 2014	Experience	
Mr. Somkiat Vongsarajana (Continue)	Director Accreditation Program (DAP) 51/2006			2011 - Present  2010 - Present  1 Mar. – 30 Sep. 2005  2001 – 2005  1993 – 2001	- Director Siam Ferro Industry Co., Ltd.  - Director Thai National Product Co., Ltd.  - 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.
Mr. Teera Phoncharoensuk Age : 43 Director / Production Director	- Bachelor Degree Engineering King Mongkut's University of Technology Thonburi  Director Accreditation Program (DAP) 51/2006	-None-	0.15%	27 Jan. 2006 – Present  1 Oct. 2005 - Present  2011 - Present  2010 - Present  1 Apr. - 30 Sep. 2005  1999 - 2004	- Director Rich Asia Steel Public Company Limited  - Production Director Rich Asia Steel Public Company Limited  - Director Siam Ferro Industry Co., Ltd.  - Director Thai National Product Co., Ltd.  - Production Manager Rich Asia Steel Public Company Limited  - Factory Manager, GT Steel Works Co., Ltd. (Produce and sell steel bars and scrap)
Asst.Prof.Dr. Nakhun Thoraneenitiyan Age : 38 Director / Audit Committee (Independent Director)	- Doctoral Degree Banking and Finance The University of Queensland, Australia  - Master Degree Banking and Finance Sripatum University  - Bachelor Degree Finance Bangkok University	-None-	-None-	30 Apr. 2010 - Present  2011 - Present        2013 - Present  2013 - Present	- Independent Director / Audit Committee Rich Asia Steel Public Company Limited  - Lecturer, Master of Business Administration Program for Finance Manager, Faculty of Business Administration, Kasetsart University  - Assistant Dean for Academic Affairs Sripatum Business School. Sripatum University  - Member of Revenue and Asset Management Board,



Name Age / Position	Education	Relationship with Other management	* % of Shareholders as of Mar. 17, 2014	Experience	
Asst.Prof.Dr. Nakhun Thoraneenitiyan (Continue)	- Bachelor Degree Business Economics Sukhothai Thammatirat Open University - Bachelor Degree , Law Sukhothai Thammatirat Open University - Bachelor of Accountancy, Sukhothai Thammatirat Open University - Bachelor of Public Administration (Human Resources Management), Sukhothai Thammatirat Open University - Bachelor of Political Science (International Relations), Sukhothai Thammatirat Open University Director Accreditation Program (DAP) 84/2010			2009 - 2013  2007 – 2008  2007 – 2008  2000 - 2009  1998 – 2000  1997 - 1998	Pathumwan Institute of Technology - Head of Finance and Banking Department Faculty of Business Administration, Sripatum University - Advisor Thai Rating Information Service Co., Ltd. - Performance Auditor Ministry of Natural Resources and Environment - Lecturer, Department of Finance and Banking Faculty of Business Administration Sripatum University - Business Analyst P.S. Consulting Group Co., Ltd. - Securities Marketing Officer Jardine Flaming Thanakorn Co., Ltd.
Pol.Lt.Gen. Mongkol Kamolbutra Age : 70 Director / Audit Committee (Independent Director)	Master of Public Administration, Major Public Management, Chulalongkorn University Bachelor of Public Administration, Major Police Management, Royal Police Cadet Academy  Director Accreditation Program (DAP) 89/2011	-None-	-None-	27 Feb. 2013 – Present 2012 – Present  2007 – Present  2007 – 2008 2005 – 2008  2006 – 2007 2004 – 2006	- Independent Director / Audit Committee Rich Asia Steel Public Company Limited - Instructor, Advanced Power Management Program, Ministry of Energy - Advisor, Chairman, Royal Turf Club of Thailand under Royal Patronage - Chairman, Police Printing Bureau - Lecturer, Master of Public Administration Program, Bansomdejchaopraya Rajabhat University - Advisor, Advisor of the Prime Minister's Office - Chief Inspector, SME Bank
Mrs. Nusara Taravanich Age : 39 Chief Financial Officer	Master Degree Business Administration (Accounting) Dhurakijpundit University Bachelor Degree Accounting	-None-	-None-	15 Mar. 2012 – Present  1 Oct. 2011- 14 Mar. 2012	- Chief Financial Officer Rich Asia Steel Public Company Limited  - Finance & Accounting Manager PMK –Central Glass Co.,Ltd.



Name Age / Position	Education	Relationship with Other management	* % of Shareholders as of Mar. 17, 2014	Experience	
Mrs. Nusara Taravanich (Continue)	Dhurakijpundit University			May 2011 – Aug. 2011  Nov. 2010 – Apr. 2011  Aug. 2005 – Oct. 2010  May. 2001 – Jul. 2005	- Finance & Accounting Manager Berli Jucker Public Co.,Ltd.  - Finance & Accounting Advisor Y-Design Co.,Ltd. Jarusrungroj Co.,Ltd. Nationtech Steel Co.,Ltd.  - Accounting Manager Empire Steel Center Co., Ltd.  - Head of Accounting Department Faculty of Business Administration Southeast Bangkok College
Ms. Nongluck Sarochsuwan Age : 46 Company Secretary** / Manager of CEO. Office	Bachelor Degree Business Administration (Accounting) Rajamangkala University of Technology Thanyaburi Bachelor Degree Business Administration (General Management) Sukhothai Thammathirat Open University  - passed the training course "Law and regulation for new secretary of the Securities and Exchange Law" from Research of Law and Development Center, the Faculty of Law of Chulalongkorn University  - passed the training course " Anti-Corruption: The Practical Guide" from IOD	-None-	-None-	1 Feb. 2008 - Present  1 Jan. 2008 - Present  1997 - 2007	- Company Secretary Rich Asia Steel Public Company Limited  - Manager of CEO. Office Rich Asia Steel Public Company Limited  - Project Finance Manager Siam Ferro Industry Co., Ltd.

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

\*\* Duty of company secretary show in title "Corporate Governance"





Authority Details of Director and Management of Rich Asia Steel Public Company Limited as of December 31, 2013

Name	Position in the Company	Position in subsidiaries	
		Thai National Product Co.,Ltd. The company owns 100%	Siam Ferro Industry Co., Ltd. The company owns 51.88%
1. Gen. Watanachai Chaimuanwong	W	-	-
2. Mr. Surapong Churangsarit	X, N	-	-
3. Mrs. Phimsiri Keeratithiansiri	/	-	-
4. Dr. Rittirong Intarajinda	/	-	-
5. Ms. Angkakarn Tantiviroon	/, V, //, U	/	/
6. Mr. Somkiat Vongsarojana	/, //, ///, U	/	/
7. Mr. Teera Phoncharoensuk	/, //, U	/	/
8. Asst.Prof.Dr. Nakhun Thoraneenitiyan	/, Z	-	-
9. Mrs. Nusara Taravanich	//, U	-	-

Remark:

W = Chairman

X = Vice Chairman

/ = Director

V = Chief Executive Officer

U = Management

N = Chairman of Audit Committee

Z = Audit Committee

// = Executive Committee

/// = Managing Director



---

Authority Details of Director of Subsidiaries as of December 31, 2013

Name		Position in subsidiaries	
		Thai National Product Co.,Ltd. The company owns 100%	Siam Ferro Industry Co., Ltd. The company owns 51.88%
1. Ms. Angkarn	Tantiviroon	/	/
2. Mr. Somkiat	Vongsarojana	/	/
3. Mr. Teera	Phoncharoensuk	/	/

Remark: / = Director




## Report of Board of Director's Responsibilities to Financial Statements

Board of Directors recognizes the importance and responsibility for the financial statement of Rich Asia Steel Public Company Limited and the consolidated financial statement of the Company and its subsidiaries. These financial statements are prepared in accordance with generally accepted accounting standards using appropriate accounting policies that are applied on a consistent basis. The financial statements are also prepared after careful consideration and, when applicable, use of appropriate estimates and judgments. Adequate significant information has been disclosed in the notes to these financial statements for transparent use by shareholders and investors.

Board of Directors has assigned the Managements to provide and maintain an effective internal control system to ensure that the accounting records are accurate, complete and sufficient to safeguard the assets of the Company and prevent corruption or abnormal operation significantly.

The Audit Committee, comprising independent directors, has responsibility for monitoring and reviewing the quality of the financial reports and internal control system. In this respect, the Audit Committee's view regarding such matters is stated in the Annual Report under the Audit Committee's Report.

Board of Directors opine that the Company has an adequate internal control system and internal audit and confidence that separated financial statement and consolidated financial statement of the Company and its subsidiaries as of December 31, 2013 are reliable under generally accepted accounting standards, legally and related regulations.

General   
(Watanachai Chaimuanwong)  
Chairman

  
(Ms. Angkarn Tantiviroon)  
Chief Executive Officer

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

Financial Statements

For the Years Ended December 31, 2013

and Independent Auditor's Report

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

***Independent Auditors***

## **Independent Auditor's Report**

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

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

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

## **Emphasis of matter**

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



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

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

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

**STATEMENTS OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2013**

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

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

**STATEMENTS OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2013**

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



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

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

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

	Notes	In Baht			
		Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
		"Restated"		"Restated"	
<b>REVENUES</b>					
Revenue from sales		3,452,732,142	2,926,666,552	2,851,821,240	2,186,399,365
Revenue from services		117,364,622	91,169,227	-	-
Other incomes	27	38,938,892	44,807,900	35,641,190	75,823,920
<b>Total Revenues</b>		<b>3,609,035,656</b>	<b>3,062,643,679</b>	<b>2,887,462,430</b>	<b>2,262,223,285</b>
<b>EXPENSES</b>					
Cost of sales	28	3,487,417,795	3,001,383,550	2,844,941,618	2,196,296,763
Cost of services		107,645,609	104,995,084	-	-
Selling expenses		11,708,614	8,488,655	2,196,808	4,374,869
Administrative expenses		94,927,602	71,136,298	67,889,384	45,194,253
Loss from sale investment in securities available for sale		70,834,025	3,725,011	70,834,025	3,725,011
Loss on impairment of investment in subsidiary	14	-	-	85,235,086	77,602,426
Doubtful accounts (Reversal)		8,049,858	(26,273,314)	5,668,291	(26,381,191)
Management benefit expenses	5	10,894,855	10,076,328	10,894,855	10,076,328
Finance costs		274,482,620	337,970,698	193,141,558	257,304,478
<b>Total Expenses</b>		<b>4,065,960,978</b>	<b>3,511,502,310</b>	<b>3,280,801,625</b>	<b>2,568,192,937</b>
<b>LOSS BEFORE INCOME TAX</b>		<b>(456,925,322)</b>	<b>(448,858,631)</b>	<b>(393,339,195)</b>	<b>(305,969,652)</b>
Income tax (expense) revenue	30	31,645,531	23,026,639	-	1,270,173
<b>LOSS FOR THE YEAR</b>		<b>(425,279,791)</b>	<b>(425,831,992)</b>	<b>(393,339,195)</b>	<b>(304,699,479)</b>
<b>Other comprehensive income (expense)</b>					
- Change in fair value of securities available for sale		-	(11,431,603)	-	(11,431,603)
- Transfer loss from change in fair value to loss from sale investment in securities available for sale		11,431,603	-	11,431,603	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(413,848,188)</b>	<b>(437,263,595)</b>	<b>(381,907,592)</b>	<b>(316,131,082)</b>
<b>Loss for the year attributable to :</b>					
Equity holders of the parent		(357,917,623)	(355,595,761)	(393,339,195)	(304,699,479)
Non - controlling interests		(67,362,168)	(70,236,231)	-	-
		<b>(425,279,791)</b>	<b>(425,831,992)</b>	<b>(393,339,195)</b>	<b>(304,699,479)</b>
<b>Total comprehensive loss for the year attributable to :</b>					
Equity holders of the parent		(346,486,020)	(367,027,364)	(381,907,592)	(316,131,082)
Non - controlling interests		(67,362,168)	(70,236,231)	-	-
		<b>(413,848,188)</b>	<b>(437,263,595)</b>	<b>(381,907,592)</b>	<b>(316,131,082)</b>
<b>BASIC LOSS PER SHARE</b>					
Equity holders of the parent	31	(0.357)	(0.355)	(0.392)	(0.304)

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

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2013**

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

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

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

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

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

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

In Baht

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

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

In Baht

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

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

## **Notes to the Financial Statements**

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

These notes form an integral part of the financial statements.

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

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

### **1.1. GENERAL INFORMATION**

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

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

### **1.2. GOING CONCERN**

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

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

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

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

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

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

## RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### Notes to the Financial Statements (Continued)

For the year ended December 31, 2013

#### 2.2 Basis of consolidation

a) The consolidated financial statements as at December 31, 2013 and 2012, include the accounts of the Company and its subsidiaries as follows:

Name of Companies	Type of business	In Million Baht		Percentage of direct and indirect holding ( % )	
		Paid-up share capital		2013	2012
		2013	2012	2013	2012
Thai National Product Co., Ltd	Foundation pile manufacturing, delivery and pile driving	261,006	261,006	100.00	100.00
Siam Ferro Industry Co., Ltd	Production and distribution of steel production and all steel pipe and service to produce steel pipe	441,701	441,701	51.88	51.88

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

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

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

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

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

### 3. APPLICATION OF NEW ACCOUNTING STANDARDS

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

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

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8	Operating Segments
--------	--------------------

Accounting Standard Interpretations:

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



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

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

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

SIC 25                                      Income Taxes - Changes in the Tax Status of an Entity or its Shareholders  
Accounting Treatment Guidance for Transfers of Financial Assets

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

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

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

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

b) New accounting standards issued not yet effective

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

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

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

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

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

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

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

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

##### *Foreign currencies*

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

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

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

##### *Cash and cash equivalents*

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

##### *Trade and other accounts receivable*

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

##### *Investments*

###### *Investments in subsidiaries*

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

###### *Investments in other debt and other equity securities*

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

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

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

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

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

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

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

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

#### *Disposal of investments*

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

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

#### *Inventories*

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

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

#### *Non-current assets held for sale*

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

#### *Investment properties*

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

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

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20-38 years. Depreciation of the investment properties is included in determining in profit or loss.

No depreciation is provided on investment properties - land.

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

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

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

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

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

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

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

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

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

#### *Subsequent costs*

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

#### *Depreciation*

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

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

Buildings and Improvements	5, 20	years
Machines	5, 10, 20	years
Furniture, fixtures and office equipment	3,5	years
Tools and equipment	5	years
Vehicles	5	years

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

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

#### *Intangible assets*

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

#### *Subsequent expenditure*

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

#### *Amortisation*

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

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

Software license	5	Years
------------------	---	-------

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

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

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

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

#### ***Impairment of Assets***

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

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

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

#### ***Calculation of recoverable amount***

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

#### ***Reversals of impairment***

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### ***Trade and Other Accounts Payable***

Trade and other accounts payable are stated at cost.

#### ***Loan***

Loan is initially recognized by fair value of the remuneration received deducted by cost of transactions preparation incurred. Later, loan value is measured by amortization of cost price method. The discrepancy between remuneration (deducted by cost of transaction preparation incurred) when compared against the repayable value to repay debt will be recognized in profit or loss. Fee for providing loans arising from the provision of short-term borrowing limit for use as working capital in a period of one year is amortised to financial costs by straight-line method over periods of one year loan period and fees for providing loans arising from the provision of long-term borrowing limit is amortised to financial costs by over the period of the borrowings by using the effective rate method.

#### ***Provisions***

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

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

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

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

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

Leases of property or equipment which substantially transfer all the risks and rewards of ownership to the lessees are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss. When a sale and leaseback results in a finance lease, any gain on the sale is deferred and recognised as income over the lease term. The property or equipment acquired under finance leases is depreciated over the useful life of the asset.

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

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

#### ***Employee benefits***

##### ***Short-term employee benefits***

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

##### ***Post-employment benefits***

##### ***Defined contribution plans***

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

##### ***Defined benefit plans***

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

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

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

#### ***Revenues***

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

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

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

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

#### *Sales of goods*

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

#### *Service income*

Service income is recognized as services are provided.

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

#### *Rental income*

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

#### *Dividend income*

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

#### *Interest income*

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

#### *Expenses*

##### *Lease payments*

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

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

##### *Finance costs*

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

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

##### *Income tax*

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

##### *Current tax*

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



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

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

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

#### *Deferred tax*

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

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

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

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

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

#### *Earnings per share*

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

#### *Significant accounting judgments and estimates*

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

##### *Leases*

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

##### *Allowance for doubtful accounts*

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

##### *Impairment of investments*

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

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

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

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

#### *Property, plant and equipment / Investment property*

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

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

#### *Post-employment benefits under defined benefit plans*

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

#### *Deferred tax assets*

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

#### *Litigation*

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

## **5. RELATED PARTIES TRANSACTIONS**

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

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

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

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

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

<u>Name of Entities</u>	<u>Nature of business</u>	<u>Nature of relationship</u>
MSP Metal Co.,Ltd.	Procurement and distribution of steel product	Related via subsidiary of Max Metal Corporation Pcl. and ended of relationship at July 1, 2012
Ms. Angkakarn Tantiviroon		Director
Mr. Kamon Wattanakanin		Management of subsidiary
Ms. Arporn Seneprakornkrai		Shareholder

Pricing policies for each transactions are described as follows:

<u>Type of transactions</u>	<u>Pricing policies</u>
Revenues from sale	Price can be comparative against outside parties
Other income	Mutual agreement / Contract price
Purchases of goods	Price can be comparative against outside parties
Cost of service	Mutual agreement / Contract price
Interest income	In 2012 : Interest rate 7.13% - 7.25% per annum
Interest expense	In 2013 Interest rate 6.75 - 7.00% and 12.00% per annum (2012 : 7.00% - 7.13% and 12.00 %)
Value from sales fixed assets	Price reference with appraisal value by independent appraisal
Value from purchase fixed assets	Mutual agreement
Value from factoring of account receivable	Contract Price

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

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

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

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

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

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

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

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

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

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

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

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

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

On March 30, 2012, Siam Ferro Industry Company Limited ("Subsidiary") entered to the contract to engage Max Metal Corporation Public Company Limited to act as exclusive strategic operator who has a duty to provide services in relation to the operation and management of the business affairs of subsidiary. The service includes procurement of raw materials, financial production of products, sale, marketing promotion and distribution of product. The contract has year period with effective from April 1, 2012, which the operating fee at the rate of 20% of EBITDA, earning before interest tax, depreciation and amortization of subsidiary company. Later, on July 6, 2012, the Subsidiary and Max Metal Corporation Public Company agree to terminate such Operator Service Agreement with effective from July 1, 2012.

**6. CASH AND CASH EQUIVALENTS**

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

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

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

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

**7. TEMPORARY INVESTMENT**

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

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

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

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

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

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

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

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

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

As at December 31, 2013, the consolidated financial statements, a part of trade accounts receivable in the amount of Baht 19.27 million (December 31, 2012 : Baht 23.23 million) had be transferred the right of collection to one financial institution according to note No 19. The Group still has to take responsibility in the trade accounts receivable if the financial institution cannot collect debt repayment in accordance with such trade accounts receivable.

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

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

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

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

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

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

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

**10. INVENTORIES**

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

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

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

**11. ADVANCE PAYMENT FOR GOODS**

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



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

**12. GENERAL INVESTMENT**

	Consolidated Financial Statements					
	Percentage of direct and indirect Holding (Percent)		In Thousand Baht			
			Paid-up capital		Investment value Cost method	
	2013	2012	2013	2012	2013	2012
• Pan Asia Storage and Terminal Co., Ltd.	0.00003	0.00003	1,929,618	1,929,618	1	1
• Siam Integrated Cold Rolled Steel Public Co., Ltd.	0.055	0.055	12,000	12,000	6	6
• First Steel Industry Co., Ltd.	0.18	0.18	357,500	357,500	635	635
• Inter Metal Tube Alliance (Thailand) Co.,Ltd.	0.05	0.05	270,000	270,000	124	124
Less Allowance for Impairment of Investment					(766)	(766)
General Investment - Net					-	-

**13. AVAILABLE FOR SALE INVESTMENT**

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

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

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

Available for sale investment is derived from debt settle from the Company paid an advance for goods and the debtor did not deliver the goods to the Company. Such debtor proposed compromise agreement to the Company which offer a new condition to hair cut some debt and the remaining amount will settle by converting the debt into newly issued shares of the debtor which is listed on the Stock Exchange of Thailand, in amount of 508,071,269 shares, at the price of Baht 0.50. On September 21, 2012, the Company has received newly ordinary shares of the debtor in amount of 508,071,269 shares, which fair value in amount of Baht 187.99 million to be settled all debt repayment, the net book value of an advance

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

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

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

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

The whole amount of investment available for sale security, the Company has pledge to collateral for the debt under restructuring agreement with a financial institute according to note No. 24.1. As at December 31, 2013, the Company sold the whole amount of available for sale security to settle the debt with according the condition of debt restructuring agreement.

**14. INVESTMENT IN SUBSIDIARIES**

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

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

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

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

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

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

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

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

**15. INVESTMENT PROPERTY - NET**

	In Thousand Baht		
	Consolidated financial statements		
	Land	Buildings	Total
<u>Cost</u>			
Balance as at January 1, 2012	55,321	115,884	171,205
Acquisitions	-	-	-
Disposal/write - off	(53,443)	(74,316)	(127,759)
Balance as at December 31, 2012	1,878	41,568	43,446
Acquisitions	-	-	-
Disposal/write - off	-	(12,561)	(12,561)
Balance as at December 31, 2013	1,878	29,007	30,885
<u>Accumulated depreciation</u>			
Balance as at January 1, 2012	-	31,518	31,518
Depreciation for the year	-	4,799	4,799
Disposal/write - off	-	(19,619)	(19,619)
Balance as at December 31, 2012	-	16,698	16,698
Depreciation for the year	-	1,395	1,395
Disposal/write - off	-	(5,154)	(5,154)
Balance as at December 31, 2013	-	12,939	12,939
<u>Allowance for impairment</u>			
Balance as at January 1, 2012	15,673	-	15,673
Impairment for the year	-	-	-
Disposal/write - off	(15,673)	-	(15,673)
Balance as at December 31, 2012	-	-	-
Impairment for the year	-	-	-
Disposal/write - off	-	-	-
Balance as at December 31, 2013	-	-	-
<u>Net book value</u>			
December 31, 2012	1,878	24,870	26,748
December 31, 2013	1,878	16,068	17,946

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

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

	In Thousand Baht		
	Separate financial statements		
	Land	Buildings	Total
<u>Cost</u>			
Balance as at January 1, 2012	55,321	92,722	148,043
Acquisitions	-	-	-
Disposal/write - off	(53,443)	(74,316)	(127,759)
Balance as at December 31, 2012	1,878	18,406	20,284
Acquisitions	-	-	-
Disposal/write - off	-	-	-
Balance as at December 31, 2013	1,878	18,406	20,284
<u>Accumulated depreciation</u>			
Balance as at January 1, 2012	-	23,968	23,968
Depreciation for the year	-	4,325	4,325
Disposal/write - off	-	(19,619)	(19,619)
Balance as at December 31, 2012	-	8,674	8,674
Depreciation for the year	-	920	920
Disposal/write - off	-	-	-
Balance as at December 31, 2013	-	9,594	9,594
<u>Allowance for impairment</u>			
Balance as at January 1, 2012	15,673	-	15,673
Impairment for the year	-	-	-
Disposal/write - off	(15,673)	-	(15,673)
Balance as at December 31, 2012	-	-	-
Impairment for the year	-	-	-
Disposal/write - off	-	-	-
Balance as at December 31, 2013	-	-	-
<u>Net book value</u>			
December 31, 2012	1,878	9,732	11,610
December 31, 2013	1,878	8,812	10,690

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

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

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

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

As at December 31, 2013 and 2012, the consolidated and separate financial statements, investment property had the fair value which appraise by an independence appraiser, that appraise the fair value of a land by market comparison approach method and the cost approach method for buildings, according to appraisal report during on July, 2010 and February, 2012, which had the total of fair value as in the consolidate financial statements amount of Baht 24.10 million and as in the separate financial statements amount of Baht 16.59 million.

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

**16. PROPERTY, PLANT AND EQUIPMENT**

	In Thousand Baht												
	Consolidated												
	Land and improvement	Buildings	Building improvement	Improvement office	Machinery	Improvement Machinery	Tools and Equipment	Vehicle	Tools Pile	Water/Fence Wells/Road /Culvert	Work in Process	Machinery and Equipment in Process	Total
<u>Cost</u>													
Balance as at January 1, 2012	641,083	1,052,454	5,361	579	1,698,223	9,419	178,500	43,274	278,030	81,600	7,710	-	3,996,233
Acquisitions /Transfers in	-	290	50	-	383	-	805	395	-	-	651	442	3,016
Disposal/Transfer out	-	-	-	(579)	(46,888)	-	(2,332)	(11,128)	-	-	(290)	(4)	(61,221)
Balance as at December 31, 2012	641,083	1,052,744	5,411	-	1,651,718	9,419	176,973	32,541	278,030	81,600	8,071	438	3,938,028
Acquisitions /Transfers in	-	-	-	-	588	2,037	1,253	1,020	55	-	61,317	-	66,270
Disposal/Transfer out	-	-	-	-	-	-	(78)	(735)	-	-	(828)	-	(1,641)
Balance as at December 31, 2013	641,083	1,052,744	5,411	-	1,652,306	11,456	178,148	32,826	278,085	81,600	68,560	438	4,002,657
<u>Accumulated depreciation</u>													
Balance as at January 1, 2012	47,441	576,152	1,050	579	1,121,352	7,381	168,554	37,713	264,161	75,332	-	-	2,299,715
Acquisitions /Transfers in	423	33,502	269	-	83,728	1,889	4,122	1,617	3,500	1,962	-	-	131,012
Disposal/Transfer out	-	-	-	(579)	(46,861)	-	(2,328)	(8,950)	-	-	-	-	(58,718)
Balance as at December 31, 2012	47,864	609,654	1,319	-	1,158,219	9,270	170,348	30,380	267,661	77,294	-	-	2,372,009
Acquisitions /Transfers in	495	33,970	270	-	83,820	292	2,742	1,079	3,500	1,426	-	-	127,594
Disposal/Transfer out	-	-	-	-	-	-	(38)	(708)	-	-	-	-	(746)
Balance as at December 31, 2013	48,359	643,624	1,589	-	1,242,039	9,562	173,052	30,751	271,161	78,720	-	-	2,498,857
<u>Net book value</u>													
December 31, 2012	593,219	443,090	4,092	-	493,499	149	6,625	2,161	10,369	4,306	8,071	438	1,566,019
December 31, 2013	592,724	409,120	3,822	-	410,267	1,894	5,096	2,075	6,924	2,880	68,560	438	1,503,800
<u>Depreciations included in profit or loss for the years</u>													
2012													130,722
2013													127,594

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

	In Thousand Baht									
	Separate financial statements									
	Land	Buildings	Building improvement	Improvement office	Machinery	Improvement Machinery	Furniture and Equipment	Vehicle	Machinery and Equipment in Process	Total
<u>Cost</u>										
Balance as at January 1, 2012	41,538	13,000	5,361	579	126,502	9,419	22,797	14,743	-	233,939
Acquisitions /Transfers in	-	-	50	-	-	-	489	105	442	1,086
Disposal/Transfer out	-	-	-	(579)	(46,726)	-	(2,328)	(318)	(4)	(49,955)
Balance as at December 31, 2012	41,538	13,000	5,411	-	79,776	9,419	20,958	14,530	438	185,070
Acquisitions /Transfers in	-	-	-	-	-	2,038	77	-	-	2,115
Disposal/Transfer out	-	-	-	-	-	-	(28)	(80)	-	(108)
Balance as at December 31, 2013	41,538	13,000	5,411	-	79,776	11,457	21,007	14,450	438	187,077
<u>Accumulated depreciation</u>										
Balance as at January 1, 2012	-	2,522	1,050	579	85,492	7,381	19,301	12,089	-	128,414
Acquisitions /Transfers in	-	652	269	-	6,767	1,888	2,246	1,028	-	12,850
Disposal/Transfer out	-	-	-	(579)	(46,725)	-	(2,327)	(174)	-	(49,805)
Balance as at December 31, 2012	-	3,174	1,319	-	45,534	9,269	19,220	12,943	-	91,459
Acquisitions /Transfers in	-	650	270	-	6,742	293	875	786	-	9,616
Disposal/Transfer out	-	-	-	-	-	-	(28)	(52)	-	(80)
Balance as at December 31, 2013	-	3,824	1,589	-	52,276	9,562	20,067	13,677	-	100,995
<u>Net book value</u>										
December 31, 2012	41,538	9,826	4,092	-	34,242	150	1,738	1,587	438	93,611
December 31, 2013	41,538	9,176	3,822	-	27,500	1,895	940	773	438	86,082
<u>Depreciations included in profit or loss for the years</u>										
2012										12,850
2013										9,616

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

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

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

#### Consolidated Financial Statements

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

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

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

#### Separate Financial Statements

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

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

### **17. CREDIT FACILITIES AND GUARANTEE**

The Group has credit line from commercial bank and several financial institutions in form overdraft, trust receipts, short-term and long-term loan, the letter of guarantee, note receivable discount and factoring by granted the total credit line as at December 31, 2013, in amount of Baht 2,092.50 million (December 31, 2012 : Baht 2,160.84 million) and credit line for forward contract in amount of US Dollars 4.00 million, equally for both periods. It is pledged by the Company's mortgage register of land plus building and some part machine of the Company, some part land plus building and machine of subsidiary company, land plus building of a director and related companies, notes receivable, a part of deposit at bank and guaranteed by director, related companies and subsidiary company and beneficiary from insurance in building, machinery and equipment to commercial bank and financial institutions.



**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013****18. LOANS THAT DUE FOR REPAYMENT**

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

As at December 31, 2012, The loan which due to payment amount of Baht 1,031.36 million was arisen from trust receipt, promissory notes, and long-term loan which the Company had entered into debt restructuring agreement dated August 16, 2011, However, the Company did not completely repay the debt in accordance with the debt restructuring agreement, thence reclassified such debt as the loan which due to payment. However, in third quarter of 2013, the Company has signed the new agreement of debt restructuring dated September 27, 2013 with financial institution, so the Company has reclassified the whole amount of debt which due to repayment to the debt under restructuring agreement as stated in note No 24.2 (As at December 31, 2012, the company has the restricted bank deposit in amount of Baht 28.06 million with such financial institute.)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**21. TRADE AND OTHER ACCOUNTS PAYABLE – RELATED PARTIES**

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

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

As at December 31, 2013 and December 31, 2012, the consolidated financial statement, short term loans amount of Baht 300 million is short - term loans from other company, carried interest rate of 15% per annum, while the subsidiary company mortgaged land and building is collateral of loans. The subsidiary company and the lender makes the mortgage land contract and considered this as evidence of the loans contract, while the mortgages has term to redeem for three months (maturity date of June 21, 2011) and when due, the subsidiary company and lender agree to continue extended the due period for next 3 months, in each time of extended, the borrower has charged the extended fees in the rate of 11.40 % per annum and interest in the rate of 15.00 % per annum, The final maturity date is October 22, 2012 which the subsidiary has not extended the maturity date. Currently, the lender has prosecuted claiming for debt repayment and interest expense as mention in notes to financial statement No. 36.

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

**23. LIABILITIES UNDER FINANCIAL LEASE AGREEMENT**

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

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

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

	In Thousand Baht					
	Consolidated financial statements					
	2013			2012		
	Future minimum lease payment	Interest	Present value of minimum lease payment	Future minimum lease payment	Interest	Present value of minimum lease payment
Within one year	1,041	(125)	916	900	(81)	819
After one year but within five years	469	(54)	415	575	(36)	539
Total	<u>1,510</u>	<u>(179)</u>	<u>1,331</u>	<u>1,475</u>	<u>(117)</u>	<u>1,358</u>

	In Thousand Baht					
	Separate financial statements					
	2013			2012		
	Future minimum lease payment	Interest	Present value of minimum lease payment	Future minimum lease payment	Interest	Present value of minimum lease payment
Within 1 year	472	(13)	459	797	(54)	743
After one year but within five years	-	-	-	472	(13)	459
Total	<u>472</u>	<u>(13)</u>	<u>459</u>	<u>1,269</u>	<u>(67)</u>	<u>1,202</u>

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

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

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

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

**24. DEBT UNDER RESTRUCTURING AGREEMENT**

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

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

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

24.1 First financial institution : The consolidated and separate financial statement, debt under restructuring agreement derived from the debt restructuring contract no. 5 dated June 27, 2012, and revision issued no. 4 dated February 26, 2013. The contract has define important condition such as finding additional securities, transferred assets to settle the debt. The contract has classify the debt to 3 tranches which as following:

First tranche : The principal amount of Baht 261.43 million, accrued interest amount of Baht 24.87 million, as at September 30, 2013 remaining balance amount of Baht 257.40 million

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

(December 31, 2012 : Baht 277.07 million), the financial institution agree to discount interest rate from default rate to former contract rate. An accrued interest after discount amount of Baht 16.82 million which agree to monthly installments in amount of Baht 500,000, commencing in July 2013 onward and will completely repayment in December 2015. The principle debt bear interest rate at MLR per annum, the principle is repayable on a monthly basis commencing on March 2013 which has term of repayment as followings :

<u>Installment</u>	<u>Principal Repayment per Installment</u>
	(Million Baht)
March 2013	6.0
April 2013 - December 2013	2.0
January 2014 - November 2017	5.0
December 2017	Outstanding

Second tranche : The principal amount of Baht 262.56 million, accrued interest amount of Baht 24.10 million, as at September 30, 2013, remaining balance amount of Baht 192.39 million (December 31, 2012 : Baht 209.25 million) , the financial institution agree to discount interest rate from default rate to former contract rate. An accrued interest after discount amount of Baht 8.78 million which agree to monthly installments in amount of Baht 500,000, commencing in July 2013 onward and will completely repayment in December 2014. The principle debt bear interest rate at MLR per annum, the principle is repayable on a monthly basis commencing on March 2013 which has term of repayment as followings :

<u>Installment</u>	<u>Principal Repayment per Installment</u>
	(Million Baht)
March 2013	3.0
April 2013 - December 2013	1.0
January 2014 - August 2015	12.0
September 2015	Outstanding

Third tranche : The principal amount of Baht 211.73 million, accrued interest amount of Baht 17.18 million, as at September 30, 2013, remaining balance amount of Baht 143.88 million (December 31, 2012 : Baht 208.22 million) , the financial institution agree to discount interest rate from default rate to former contract rate. An accrued interest after discount amount of Baht 8.85 million which agree to monthly installments in amount of Baht 500,000, commencing in July 2013 onward and will completely repayment in December 2014. The principle debt bear interest rate at MLR per annum, the principle is installment repayment for every three months, commencing September 2012 and will be completely repayment within June 2014 which has term of repayment as followings :

<u>Installment</u>	<u>Minimum Principal Repayment per Installment</u>
	(Million Baht)
September 2012	17.1
December 2012 - February 2013	grace period
March 2013 - March 2014	30.0
June 2014	Outstanding

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**25. EMPLOYEE BENEFIT OBLIGATIONS**

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

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



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

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

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

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	(%)	(%)	(%)	(%)
Discount rate	3.36 - 4.41	3.36 - 4.41	3.36 - 4.41	3.36 - 4.41
Salary increase rate	0.33 - 3.73	0.33 - 3.73	0.33 - 3.73	0.33 - 3.73
Mortality rate (Thai Mortality Ordinary Table 2008)	50-100 of mortality	50-100 of mortality	50-100 of mortality	50-100 of mortality
Disability rate	10 - 15 of mortality	10 - 15 of mortality	10 - 15 of mortality	10 - 15 of mortality
Employee turnover rate	0 - 57	0 - 57	0 - 57	0 - 57

## 26. SHARE CAPITAL

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

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

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

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

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

Consolidated and Separate financial statements

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

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

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

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

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

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

**28. EXPENSES BY NATURE**

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

**RICH ASIA STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES****Notes to the Financial Statements (Continued)****For the year ended December 31, 2013****29. PROVIDENT FUND**

The Company had provident fund covering substantially all employees. This fund was registered with the Ministry of Finance under the Provident Fund Act B.E.2530, in the name of “TISCO 2 Registered Provident Fund”. The fund is contributed to by the Company and its employees at rates ranging from 2% of the employees’ salaries the Fund is managed by Tisco Securities Company Limited and will be paid to the employees upon termination in accordance with the rules of fund. The contributions are recognised as expenses in the year in when they are incurred. For the year ended 2013 the company has provident fund expense in amount of Baht 184,238.01 (2555 : amount of Baht 178,933.20)

**30. INCOME TAX**

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

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

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

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

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

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

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

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

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

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

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

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

**31. EARNINGS (LOSS) PER SHARE**

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

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

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

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

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

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

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

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

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

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

The Group comprise 2 main business segments as follows:

Segment 1 : Produce and distribution of steel product.

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

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

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

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

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

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

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

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

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

The segment financial information of the Group is as follows:

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



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

Reconciliation of revenue , profit or loss, asset and liabilities

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

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

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

	In Million Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Contingent liabilities with Commercial banks				
- Letters of guarantee	7.83	4.97	1.85	1.99
Contingent liabilities with other person				
- Advance note payable for pledged	4.12	9.75	-	-

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

**34. FINANCIAL INSTRUMENT**

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

**34.1. Policy to manage financial risks**

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

**34.2. Risks on interest rate**

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

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

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

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

**34.3. Risks on exchange rate**

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

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

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

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

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

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

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

#### **34.4. Credit risks**

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

#### **34.5. Fair value**

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

### **35. CAPITAL MANAGEMENT**

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

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

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

### **36. LITIGATION**

As at December 31, 2012, two lawsuits had been filed against a subsidiary, claiming in the amount Baht 47.59 Million. This comprised debt of Baht 46.82 million arising from the purchase of goods and interest charges of Baht 0.77 million plus interest rate at 7.50% per annum until the payment is settled. The subsidiary has recorded the full amount of this cost in its accounts. Currently, the first lawsuit in amount of Baht 7.43 Million, the Company has already paid full amount and the creditor has filed a petition for withdrawal to the court. The second lawsuit amounts of Baht 39.39 Million, the Company and creditor have made a compromise agreement to repayment the debt by installment within 2 years. according to note No.20.

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

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

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

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

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



636 ถนนบางขุนเทียน-ช่ายทะเล แขวงท่าข้าม เขตบางขุนเทียน กรุงเทพฯ 10150 โทร: (66)(2)453-6277 โทรสาร: (66)(2)453-6288

636 Bangkhuntien-Chaitaley Road, Thakham, Bangkhuntien, Bangkok 10150 Tel: (66)(2)453-6277 Fax: (66)(2)453-6288

Website: <http://www.richasiasteel.com>

