



Contents

| | |
|--------------------------------------|----|
| Message from Chairman | 1 |
| Message from Chief Executive Officer | 2 |
| Board of Directors | 3 |
| Executive Committee | 4 |
| Audit Committee Report | 5 |
| General Information | 7 |
| Financial Highlights | 11 |
| Nature of Business | 12 |
| Risk Factors | 16 |
| Major Shareholders | 18 |
| Management | 19 |
| Good Corporate Governance | 29 |
| Internal Audit | 35 |
| Related Parties Transactions | 36 |
| Management's Discussion and Analysis | 50 |
| Resume of Directors and Managements | 57 |

Appendix

Financial Statement for the year ended December 31, 2007



Message from Chairman

Thailand's economic growth in 2007 expanded at 4.8% which is a lower growth, compared to growth in 2006 stated 5.1% due to deferred of consumers' consumption and expenses, and private sector investment. The factors which have influence to such effects i.e. the continually increase of oil price, sub-prime crisis in U.S.A. including the unclear direction of domestic political situation throughout year 2007 even though, the government nominate to set an election in December 2007. However, the government has continually accelerated for government's budget payment and state enterprise investment to boost up domestic economy including the adjustment of interest to lower rate which can create confidence to consumers and private in year end period.

Rich Asia Steel Public Company Limited is also effected by such factors that could not achieved goal as targeted. The company gain total revenue for 4,636.38 million increased from the same period for 289.44 million or 6.66% In 2007 the company has invested in hot-rolling machine to expand production capacity as plan, which have been already installed in December 2007 and can produce for commercial in 2008. The company is also approved from shareholders to increase capital 500 million shares, par value 1 baht each, right offering price 2 baht each. The company will receive money from capital increase amount of 1,000 million baht for working capital and payment of short term loan.

On behalf of Board of Directors, we intend to process business to strong growth and incessantly with a good corporate government to ensure that we maintain the best benefit for company and all shareholders. We would like to express our appreciation to shareholders and valued customer for your trust and support including company's staff who work hardly and develop company to present.



Gen.

(Naruedol Dejpradiyuth)

Chairman



Message from Chief Executive Officer

Thailand's economic growth in 2007 is 4.8% which is lower growth compared to 5.1% of 2006. Iron and steel industry is also the same situation of Thailand's economic which is effected by consumer's deferred consumption and expenses due to uncertainty of domestic economic situation, as well us, steel price in world market also be increased whereas domestic price for steel products could not be adjusted accordingly due to slow down of steel products' demand.

For the operation result of Rich Asia Steel Public Company Limited in 2007 stated net loss for 92.14 million baht which have been realized doubtful debt of one trade receivable amount of 180.07 millions baht. In consideration the result of normal business operation, the company gained profit from operation (before interest and tax) amount of 119.13 which is reflected according to company's sales revenue and Thailand's economic mentioned above. In 2007 the company invested in hot-rolling machine and already installed as plan. The company can realize turnover from the project invested in 2008. Furthermore, the company has also planned to expand business to foreign market.

On behalf of Board of Executive Committee, would like to express gratitude to all shareholders' who support and approve to increase capital for the company, and also to our partners who trusted and confident extended to the company. We will professionally and loyalty maintain operating standards to create worthy benefits to all parties concerned.



Angkarn Tantiviroon
Chief Executive Officer



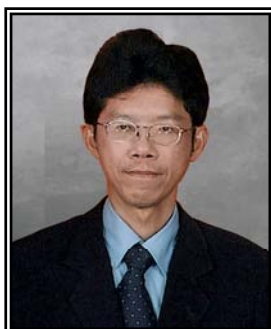
BOARD OF DIRECTORS



Gen. Naruedol Dejpradiyuth
Chairman / Chairman of Audit Committee



Mr. Surapong Churangsarit
Director / Audit Committee



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



Ms. Angkarn Tantiviroon
Director



Mr. Somkiat Vongsarajana
Director



Mr. Teera Phoncharoensuk
Director



Mr. Rittirong Intarajinda
Director



Mrs. Phimsiri Keeratithiansiri
Director



EXECUTIVE COMMITTEE



Ms. Angkarn Tantiviroon
Chief Executive Officer



Mr. Somkiat Vongsarajana
Managing Director



Mr. Teera Phoncharoensuk
Production Director



Mr. Songdech Atimethin
Sales Director



Mr. Ream Saijam
Chief Financial Officer



Audit Committee Report

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

- | | |
|--|--|
| 1. Gen. Naruedol Dejpradiyuth | Chairman of Audit Committee |
| 2. Mr. Surapong Churangarit | Audit Committee |
| 3. Asst.Prof. Dr. Supanat Chuchinprakarn | Audit Committee |
| 4. Mr. Teeraporn Choy-hiran | Secretary (resigned October 15, 2007) |
| 5. Mr. Vorapoj Chaisantana | Secretary (started November 1, 2007) |

For the fiscal year ended December 31, 2007, The Audit Committee has organized 6 times meetings to consider and review company as followings

1. Reviewed company's quarterly and audited financial statements of 2007 which have reported financial status and operation in 2007 and related transactions as stated in financial statement including management's clarification prior submission to the Board of Directors. The financial statements are stated in general accepted accounting principles and carried out an adequate information disclosure.
2. Reviewed the reasonability of related transactions and the operation transactions between company with related person and/or business which have been expressed a normal and general business transaction according to business necessity and company's optimized benefit.
3. Approved annual internal audit plan and review audit operation, audit report and advise quarterly and viewed that company has an adequate, appropriate and efficient internal audit system.
4. Examined company's compliance with legal requirement on Securities and Stock Exchange, SET or other laws relevant to company's business.
5. Assess the adequacy of the company's internal control system with management and viewed that company having an adequate, efficient internal control system and developed according to current circumstance.



6. Selected and proposed to the Board of Directors for their perusal for the Shareholders meeting's approval to nominate Mr. Somchai Kurujitkosol and/or Mr. Ampol Chamnongwat and/or Miss Wanraya Puttasatien and/or Mr. Naris Saowalaksakul of S.K Accountant Services Co., Ltd. as the company's auditor's for 2008 accounting period with audit service fee of 890,000 baht and other actual expenses related to auditing, i.e. reviewing financial statements in English, traveling expense, allowance, residence expense for auditing and fiscal inventory checking.

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

Gen.

Naruedol Dejpradiyuth

Chairman of Audit Committee



General Information

Rich Asia Steel Public Company Limited was established by Thai and Hong Kong investors on May 10, 1999 as Rich Asia Trading (Thailand) Co., Ltd., with an initial registered capital of Baht 1.00 million. The Company aimed to provide and distribute steel products by trading and contracting other manufacturers to produce steel products for the Company. In 2003, the Company has expanded its business to be a manufacturer of structural steel products. Currently, the total production capacity is 125,000 tonnes per year with the actual utilization rate of 25.44% of total production capacity in 2007.

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

- 1999 May - Established the company named "Rich Asia Trading (Thailand) Co., Ltd." with initial registered capital of Baht 1.00 million to operate as a trading company to provide steel products such as hot rolled coil and sheets, structural steels, lip channel steels, billets and other steel products.
- 2000 January - Employed Siam Ferro Industry Co., Ltd. to provide steel production services.
- February - Employed Inter Metal Tube Alliance Co., Ltd. to provide steel processing services.
- 2001 January - Increased its registered capital to Baht 5.00 million to be used as working capital.
- 2002 June - Increased its registered capital to Baht 75.00 million to be used as working capital.
- 2003 June - Set up plant and warehouse to expanded its business to become a manufacture of steel pipes.
- November - Launch its processing steel products for sale in domestic.
- December - Increased its registered capital to Baht 250.00 million to purchase a steel pipe machine.
- 2004 December - Increased its registered capital to Baht 400.00 million to be used as working capital.
- 2005 August - Purchase C-Channel machine.
- 2006 March - Changed the name from "Rich Asia Trading (Thailand) Co., Ltd." to "Rich Asia Steel Plc."
- Increased registered capital from Baht 400 million to Baht 500 million and changed par value from Baht 100.00 to Baht 1.00 each which resulted in an increase in the number of ordinary shares from 400,000,000 shares to 500,000,000 shares and converted the company to be public company with the intention to be listed on the Stock Exchange of Thailand.



- August - Listing date as at 31 August 2006 (Trading commencement on 31 August 2006 by Initial Public Offering totaling 100 million shares)
- October - Achieved the approval certificate from Thai Industrial Standards Institute 107-2533 for Hollow structural steel.
- November - Achieved the approval certificate from Thai Industrial Standards Institute 1228-2537 Cold-formed structural steel.
 - Operated the third local Distribution Center (D/C) at Tambol Pantainorasingh, Amphor Muang Samut Sakhon, Samut Sakhon Province
- 2007 January - Operated the fourth local Distribution Center (D/C) at Tambol Lamsai, Amphor Wangnoi, Ayutthaya Province
- February - Purchase land located in Tambol Bangpai Amphor Muang Chachoengsao Province for setting up Distribution Center.
- April - Signed agreement for buying land and building at Tambol Bangprong Amphor Muang Samutprakarn Province for set up hot rolling mill.
- June – July - Signed contract for purchasing machine for hot rolling steel.
- December - Increased registered capital from Baht 500 million to Baht 1,000 million for Allocation to existing shareholders 500 Million bath, offering price 2 baht each, par value Baht 1.00 each, the number of registered ordinary shares increased from 500,000,000 shares to 1,000,000,000 shares
 - Complete installation of hot – rolling machine and test run for commercial production



Company's Name, Location and Business Type

| | | |
|------------------------------|---|---|
| Company's Name | : | Rich Asia Steel Public Company Limited |
| Symbol | : | RICH |
| Nature of Business | : | Seller and supplier of steel products which acquired from trading as well as hiring other steel plants to produce the products for the company, the company is also a trader and supplier of other types of steel products including raw materials and finished products. The finished products are composed of, for example, structural steel pipe, lipped channel, hot rolled coil and sheets, billets, and others. |
| Head Office | : | 272 Soi Wat Channok, Praram III Road, Bangkor Laem, Bangkok 10120 Tel. 0-2689-3636, (02) 689-3684-7 Fax. 0-2689-3688 |
| Factory | : | 64/7 Moo 1 Praram II Road, Tambol Kokgrabue, Amphor Muang Samut Sakhon, Samut Sakhon Province 74000 Tel. 034-861-452 Fax. 034-458-162 |
| Distribution Centers | : | 1. 64/7 Moo 1 Tambol Kokgrabue, Amphor Muang Samut Sakhorn, Samut Sakhon Province 74000 2. 33/8 Moo 5 Tambol Bangpleeyai, Amphor Bangplee , Samut Prakarn Province 10540 3. 116/7 Moo 5 Tambol Pantainorasingh, Amphor Muang Samut Sakhon, Samut Sakhon Province 74000 4. 207/1 Moo 3 Tambol Lamsai, Amphor Wangnoi, Ayutthaya Province 13000 (under construction) |
| Registration No. | : | 0107549000050 |
| Tel. (Head Office) | : | (02) 689-3636 |
| Fax (Head Office) | : | (02) 689-3688 |
| Tel. (Factory) | : | (034) 458-394 |
| Fax (Factory) | : | (034) 458-162 |
| Home Page | : | www.richasiasteel.com |
| Customers Care Center | : | (02) 689-3682 |
| (Customers' Complain Center) | : | www.customerscare@richasiasteel.com |



Referrals and Their Locations

Common Stock Registrar

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

Auditor (Year 2007)

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

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

**Financial Highlights**

Data from Financial Statement

| | 2005 | 2006 | 2007 |
|----------------------------|----------|----------|----------|
| Total Assets | 1,511.45 | 1,707.08 | 2,075.13 |
| Total Liabilities | 1,019.74 | 965.51 | 1,473.22 |
| Total Shareholders' Equity | 491.7 | 741.57 | 601.91 |
| Sales | 4,904.96 | 4,332.51 | 4,551.43 |
| Total Revenues | 4,919.99 | 4,345.46 | 4,636.37 |
| Gross Profit | 128.66 | 218.39 | 184.71 |
| Operating Profit (BFIT) | 63.62 | 147.22 | -13.56 |
| Net Profit | 15.87 | 81.62 | -92.14 |
| Retained Earnings | 91.7 | 123.32 | 29.62 |

Financial Ratios

| | 2005 | 2006 | 2007 |
|-----------------------------------|--------|-------|--------|
| Liquidity Ratio | | | |
| Current ratio (times) | 1.14 | 1.04 | 1.04 |
| Quick ratio (times) | 0.8 | 0.66 | 0.66 |
| Cash flow liquidity ratio (times) | 0.25 | -0.44 | -0.24 |
| Receivables turnover (times) | 9.66 | 7 | 6.07 |
| Collection period (days) | 37.26 | 51.46 | 59.36 |
| Inventory period (times) | 11.1 | 8.71 | 9.53 |
| Inventory turnover period (days) | 32.43 | 41.35 | 37.76 |
| Account payable turnover (times) | 18.33 | 22.56 | 24.35 |
| Payment period (days) | 19.64 | 15.96 | 14.79 |
| Cash cycle (days) | 50.05 | 76.85 | 82.34 |
| Profitability Ratio | | | |
| Gross profit margin (%) | 2.62 | 5.04 | 4.06 |
| Net on EBIT (%) | 0.99 | 3.40 | -0.3 |
| Net Profit (%) | 0.32 | 1.88 | -1.99 |
| Return on equity (%) | 3.28 | 11.01 | -15.31 |
| Efficiency Ratio | | | |
| Return on assets (%) | 1.16 | 4.78 | -4.9 |
| Return on fixed assets (%) | 31.28 | 58.33 | -40.51 |
| Assets turnover (times) | 3.59 | 2.55 | 2.46 |
| Financial Ratio | | | |
| Debt to equity ratio (times) | 2.07 | 1.3 | 2.45 |
| Interest coverage (times) | 11.18 | 4.01 | -0.23 |
| Cash Fixed Charges Coverage Ratio | 0.42 | 3.86 | -0.15 |
| Dividend payout ratio (%) | 315.12 | 57.81 | - |



Nature of Business

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

The company's products and services can be classified into 2 categories as follows:

1. Trading and distribution of various steel products

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

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

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

1.2 Hot rolled steel coil and sheets

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

1.3 Billet and other products

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

2. Manufacturing structural steel

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



2.1 Steel pipes

The Company is a manufacturer of steel pipes consisting of square tubes, black steel pipes and rectangular tubes with standard length 6 meters, diameter ½ " – 3" and thickness 1.00-4.50 millimeters. Currently, the Company has 2 machines with total capacity of 75,000 tons per year. The actual utilization rate in 2007 is 30.63% of machine capacity.

2.2 Lip channel steels

The Company produces 5"- 8" lip channel steels with thickness 1.60-3.20 millimeters and also produces 8" chassis used as a component of a truck. Currently, the Company has 1 machine with total capacity of 50,000 tones per year. The actual utilization rate in 2007 is 17.65% of machine capacity.

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

Revenue Structure

| Sources of Revenue | 2005 | | 2006 | | 2007 | |
|--|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| | Million Baht | % | Million Baht | % | Million Baht | % |
| Revenue from sales | | | | | | |
| 1. Structural Steel | | | | | | |
| 1.1 Square tube | 1,387.62 | 28.20% | 1,076.39 | 24.77% | 704.21 | 15.19 |
| 1.2 Black steel pipe | 751.75 | 15.28% | 589.98 | 13.58% | 320.50 | 6.91 |
| 1.3 Rectangular tube | 738.83 | 15.02% | 624.85 | 14.38% | 464.03 | 10.01 |
| 1.4 Light-Lippe channel | 375.64 | 7.64% | 634.16 | 14.59% | 474.79 | 10.24 |
| 1.5 Angle Bar | | | 11.12 | 0.26% | 55.40 | 1.19 |
| 2. Hot rolled steel coil and Sheets | 1,343.61 | 27.31% | 1,035.46 | 23.83% | 1,915.69 | 41.32 |
| 3. Billet | 183.24 | 3.72% | 316.68 | 7.29% | 251.48 | 5.42 |
| 4. Other * | 124.27 | 2.53% | 43.87 | 1.01% | 365.33 | 7.89 |
| Total Revenue from sales ⁽¹⁾ | 4,904.96 | 99.69% | 4,332.51 | 99.70% | 4,551.43 | 98.17 |
| Other revenue ** | 15.03 | 0.31 | 12.95 | 0.30% | 84.95 | 1.83 |
| Total Revenue | 4,919.99 | 100.00% | 4,345.46 | 100.00% | 4,636.38 | 100.00% |

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

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

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



| Sources of Revenue | 2005 | | 2006 | | 2007 | |
|---------------------------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| | Million Baht | % | Million Baht | % | Million Baht | % |
| Revenue from sales | | | | | | |
| 1. Supplying | | | | | | |
| 1.1 Trading | 1,713.13 | 34.93% | 1,153.06 | 26.61% | 2,583.39 | 56.76% |
| 1.2 Hiring other steel plants | 2,428.41 | 49.51% | 2,632.71 | 60.77% | 1,362.24 | 29.93% |
| Total revenue from supplying | 4,141.54 | 84.44% | 3,785.77 | 87.38% | 3,674.24 | 80.74% |
| 2. Manufacturing | 763.42 | 15.56% | 546.74 | 12.62% | 605.80 | 13.31% |
| Total revenue from sales | 4,904.96 | 100.00% | 4,332.51 | 100.00% | 4,551.43 | 100.00% |

Goals and Objectives of the Company

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

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

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

Customer Characteristic and main customer group

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

Sales and Distribution sections

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



Competition

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

Products procurement

The Company' raw materials and main products are hot rolled coil and steel sheet, steel pipe, cold formed C-Channel, and other types of steel products (billet, rectangular steel, square steel, water tube, slit, joint, steel bar ,etc.) The company procures various steel products through trading, hiring and producing for selling to the customers which are 56.76%, 29.93% and 13.31% respectively in 2007,

Raw materials purchasing policy

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

Production policy

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

Environmental Influences

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



Future Project

The company has a plan to produce structural steel for automotive and construction industry and procurement of special grade hot rolled coil for gas cylinder industry. The target customers are first tier supplier of steel packaging industry for automobile assembly, construction industry and gas cylinder industry.

Currently the company has procure special grade hot rolled coil for gas cylinder industry which such procurement according to customers' order. Our customers who are producer of gas cylinder for Liquid Petroleum gas and using special grade hot rolled coils as row materials, the company plan to sell to customers in gas cylinder industry in domestic and Asia countries.

Furthermore, the company's factory has already set up machine to produce additional products with capacity of 90,000 tons per year. The products will be started producing from billets, process through the furnace and hot rolling into shapes and sizes according to customer's requirement. After hot rolling, the products would be let colling down naturally and then will transfer to counting machine. Thereafter, the products will be taken to bundle machine for bundling and keeping in warehouse.

Risk factors

1. Risk from fluctuation of raw material price

The company's major raw material is Hot Rolled Coil (HRC) which accounted for 79.57% of total value of raw material purchased in 2007 and all of HRC purchases are from import 0.57% and domestic 99.43%. HRC price will be changed according to world price and domestic demand and supply which might affect raw materials cost and gross margin.

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

2. Risk from products procurement

The company mainly purchases Hot Rolled Coil from a domestic supplier, Great Eastern International Co., Ltd. one of distributor of G steel PLC, accounting for 80.79% of total value of raw material purchase in 2007. Hence, the company may face the risk of relying on supplier, who may supply inadequate raw materials for production. Currently, there are only 2 HRC manufacturers who are Sahaviriya Steel Industry Public Company Limited, G Steel Public Company Limited.

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

3. Risk from exchange rate fluctuation

In 2007, the company import billets, hot rolled coil, wire rod, galvanized steel pipes from Russia and China accounting for 7.91% of total raw materials purchased, the company may face the risk



associated with speculation of exchange rate and fluctuation by government policy and Bank of Thailand intervention of Thai baht. The company mitigates its risks by entering forward contracts, therefore, the company can totally protect risk on exchange rate risk.

4. Risk from competitive law change

The Free Trade Agreements (FTAs)

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

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



Major Shareholders

Major Shareholders as of February 14, 2008 (Valued Baht 1 per share)

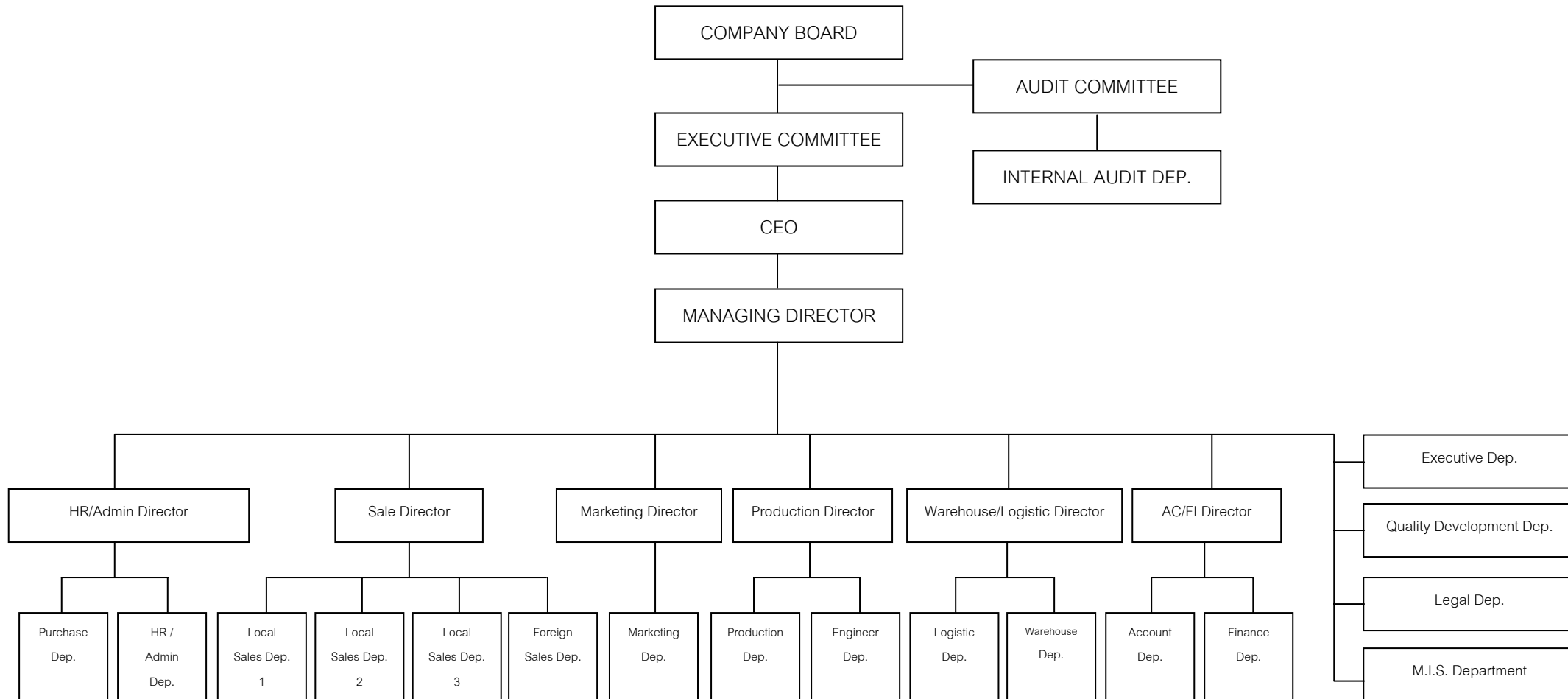
| Ranking | Shareholders | Number of shares | Percentate |
|---------|---|------------------|------------|
| 1. | <u>Ms.Angkakarn Tantiviroon's group</u> | | |
| | 1.1 Mrs.Phimsiri Keeratithiansiri | 39,000,000 | 7.80 |
| | 1.2 Ms.Thanyalak Ninpiethoon | 37,500,000 | 7.50 |
| | 1.3 Ms.Chen Marcus | 27,500,000 | 5.50 |
| | 1.4 Mr.Chen Xiangming | 26,671,875 | 5.33 |
| | 1.5 Ms.Angkakarn Tantiviroon | 26,125,000 | 5.23 |
| | Total | 156,796,875 | 31.36 |
| 2. | Mr.Krit Deelokcharoen | 25,781,250 | 5.16 |
| 3. | <u>Management and Employee's group</u> | | |
| | 3.1 Mr.Somkiat Vongsarojana | 4,000,000 | 0.80 |
| | 3.2 Mr.Teera Phoncharoensuk | 3,000,000 | 0.60 |
| | 3.3 Mr.Ream Saijam | 3,000,000 | 0.60 |
| | 3.4 Mr.Songdech Atimethin | 1,500,000 | 0.30 |
| | 3.5 Mr.Somphon Srisumran | 500,000 | 0.10 |
| | Total | 12,000,000 | 2.40 |
| 4. | Ms. Rungrat Soi-ngen | 11,386,925 | 2.28 |
| 5. | Mrs. Supa Sinprasitkul | 11,014,400 | 2.20 |
| 6. | Mrs. Vallee Janpen | 10,245,300 | 2.05 |
| 7. | Thai NVDR Company Limited | 9,916,300 | 1.98 |
| 8. | Mrs. Ranee Ur-Taveekul | 9,727,000 | 1.95 |
| 9. | Mr. Terdsak Boontod | 9,500,000 | 1.90 |
| | Total | 280,604,150 | 56.12 |
| | Other Shareholders | 219,395,850 | 43.88 |
| | Total Shareholders | 500,000,000 | 100.00 |

Dividend Policy

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



Organization Chart (December 31, 2007)





Organization Chart

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

Board of Directors

As December 31, 2007 of the Board of Directors comprises: of 8 members:

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

Director's Authority on behalf of the Company

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

Authorities and responsibilities of the Board of Directors

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

The authorities and responsibilities are as following:

- 1) Assign the company policy especially in management, financial, and also manage all company's risks.
- 2) Investment consideration, authorize the budget and any investment project for the company. Also manage all projects to follow the company's plan and policy.
- 3) Oversee the management of the company to reach the highest target. And also plan the way to solve any problems that may occur during doing any projects.
- 4) Arrange the general data report and the Company's financial report to the shareholder, the beneficent or general investor correctly with update and legally data.



- 5) Acknowledge all important reports from Audit committee, Internal auditor, auditor and company's counselor. And also provide discipline for improvement and correction any significant mistakes.
- 6) Ensure that the company has an adequate and appropriate Internal audit and risk management.
- 7) Issuing the succession plan for top management level.
- 8) Assigning Audit committee and approve the duties of Audit committee.
- 9) Assigning management committee or authorize one or more committees, or other person to be an authorized person. Therefore, the authorized person must not have authority to approve anything for any committee who will be the beneficiary or conflict of interest to the company or subsidiaries. (Definition of "The person who may has conflict" means according to the announcement of Securities and Exchange Commission)

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

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



- Increasing capital, decreasing capital, issuing bond, merging or termination the company.
- Other matters according to laws.

Audit Committees/ Independent Directors

December 31, 2007, Audit committee consists of 3 Independent Directors as following:

| | | |
|---------------------|----------------|--|
| 1. General Naruedol | Dejpradiyuth | Chairman of Audit Committee/ Independent Director |
| 7. Mr. Surapong | Churangsarit | Audit Committee/ Independent Director |
| 8. Mr. Apicha | Boonpattarakan | Audit Committee/ Independent Director |

Authorities and responsibilities of Audit Committee

- 1) Oversee the Company's financial reporting process and the disclosure of its financial information, preparing the quarterly and yearly financial reports.
- 2) Ensure that the company has adequate and efficient internal control systems.
- 3) Ensure that the company follows all relevant regulations and laws.
- 4) Select and propose the auditor for the company including consider auditing fee.
- 5) Oversee and disclose the company information that might be conflict of interest or related transaction.
- 6) Oversee all matters the assigned by the Board of Directors by an acceptance of Audit committee.
- 7) Audit committee should report its activities to the Board of Directors on the regular basis.

Audit Committee/ Independent Director Qualifications

1. Hold not over 5% of register capital of the company, subsidiary or related company, therefore, count all the stock that hold by all related people.
2. Not being Executive Directors or involve in management, or being an employee, officer or advisor who receive the company salary.
3. Being a director who has no direct or indirect benefit or interest in finance and management of the company, affiliated company, associated company or majority shareholder of the company, including the benefit or interest of the said nature during the period of 1 year before his appointment as a member of the audit committee except where the board of directors has carefully considered that such previous benefit or interest does not affect the performance of duties and providing independent opinions.



4. Being a director who is not a related person or close relative of any management member or majority shareholder of the company and being a director whom is not appointed as a representative to safeguard interests of the company's directors, majority shareholders or shareholders who are related to the company's majority shareholders.
5. Being capable of performing duties, providing opinions or reporting the results of performance of work according to the duties delegated by the board of directors free and clear of the control of the management or the majority shareholders of the company including related persons or close relatives of the said persons.

Executive committee

December 31, 2007 all 5 Executive committee consists of following:

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

Authorities and responsibilities of Executive Committee

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

- 1) Empower to decide the significant operations by specified scope of works, purpose, discipline, policy, type or size of duties within their authorities including govern general operation, production, customer's relation and must responsible to Board of Directors.
- 2) Consider all investments including purchasing, selling company's fixed assets and propose to Board of Directors.
- 3) Can be the company representative to other person that can be benefit to the company.
- 4) Consider company's fund raising and propose to Board of Directors.
- 5) Assign and approve all counselors for the company.
- 6) Manage all administrative matters.
- 7) Consider and approve each department's operation plan and approve any requisition beyond their authorities.

For the purpose, the Executive Committee may authorize each Executive Committee, if any, to conduct any activities within the specified scope of work, duties and responsibilities of the Executive Committee. Therefore, the authorized person have no authority to approve any



transaction which himself or any person who will be beneficiary or conflict of interest to the company or subsidiaries. All this matter must pass the approval of the Board of Director's meeting and/or the shareholder's meeting. Except the matter that is a normal company's business or the matter that already approved to ensure compliance with the securities and exchange law, regulations of the Exchange or laws. (Definition of "The person who may has conflict" means according to the announcement of Securities and Exchange Commission)

Establishment of Authority Approval

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

1. Executive Committee have authority approval to purchase raw material and/or finished goods and / or which is normal business transaction not over 500 million baht, and can approve expenses to purchase and sell assets not over 50 million baht. If it over, must propose to Board of Directors for approval.
2. Director/Chief Executive Officer has authority approval to purchase raw material and/or finished goods and/or which is normal business transaction not over 20 million baht, and can approve expenses to purchase and sell assets not over 10 million baht. If it over, must propose to the Executive Committee.
3. Managing Director has authority approval to purchase raw material and/or finished goods and/or which is normal business transaction not over 0.5 million baht, and can approve expenses to purchase and sell assets not over 0.5 million baht. If it over, must propose to the Director / Chief Executive Officer.

Authorities and responsibilities of the Director/Chief Executive Officer

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

- 1) Oversee all managerial matters.
- 2) Ensure that all company plans and managements reach the company's policy and the approved budget and/or the company's Executive committee.
- 3) Have authority approval to purchase raw material and/or finished goods and/or which is normal business transaction not over 20 million baht, and can approve expenses to purchase and sell assets not over 10 million baht. If it over, must propose to the Executive Committee.
- 4) Issuing order, regulation, announcement and report that will make the company reach their policy and benefit to the company.



- 5) Can be the company representative to other person that can be benefit to the company.
- 6) Assign and approve all counselors for the company.
- 7) Be the authorized person who in charge in manage the company to reach their objective, policy, rules and regulation, and also meet the Board of Director's minute of meeting.

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

Authorities and responsibilities of Managing Director

- 1) Oversee all managerial matters.
- 2) Ensure that all company plans and managements reach the company's policy and the approved budget and/or the company's Executive committee.
- 3) Approve all company's expenses which has ladder and can approve the regular sale and purchase transactions not over 0.50 million baht. If it over, must propose to the Director/Chief Executive Officer
- 4) Issuing order, regulation, announcement and report that will make the company reach their policy and benefit to the company.
- 5) Can be the company representative to other person that can be benefit to the company.
- 6) Assign and approve all counselors for the company.
- 7) Be the authorized person who in charge in manage the company to reach their objective, policy, rules and regulation, and also meet the Board of Director's minute of meeting.

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



Selection of Committee

Selection of Committee

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

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

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

Selection of Audit Committee

Board of Directors or Annual General Shareholders' meeting nominate Audit Committee which consisting 3-5 members by selecting from any members of Board of Directors and one of the selected must have experience in accounting or finance.

Selection of Executive Committee

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

Management

As at 31 December 2007, the Management consists of six members, as follows:

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

Management Remuneration

1. Monetary Remuneration

Annual General Shareholders' meeting 2007 on April 3, 2007 has resolved to fix the remuneration for Board of Directors for year 2007 i.e. remuneration, Bonus on operation as follows:



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

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

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

2) Bonus on operation for 2007 at the rate 10% of dividend paid in 2007 but not excess 5 Million Baht.

Director who is managements will received salary and bonus as remuneration.

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

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

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

In 2006 and 2007 the company have 8 Directors which 3 of Directors are Executive Director.

For accounting period of December 31, 2006 and December 31, 2007, the company has paid remuneration to directors and management as follows:

| Item | 2006 | | | 2007 | | |
|-----------------------------------|---------------------|-------------------|---------------------|------------------|--------------------|-------------------|
| | Salary/ Bonus | Remuneration | Other | Salary/ Bonus | Remuneration 1) | Other |
| Directors | | | | | | |
| 1. General Naruedol Dejpradiyuth | - | 160,000.00 | - | - | 300,000 | - |
| 2. Mrs. Phimsiri Keeratithiansiri | - | 50,000.00 | 90,000.00 | - | 90,000 | - |
| 3. Mr. Rittirong Intarajinda | - | 50,000.00 | - | - | 80,000 | - |
| 4. Miss Angkakan Tantiviroon | - | - | - | - | - | - |
| 5. Mr. Somkiat Vongsarojana | - | - | - | - | - | - |
| 6. Mr. Teera Phoncharoensuk | - | - | - | - | - | - |
| 7. Mr. Surapong Churangarit | - | 80,000.00 | - | - | 140,000 | - |
| 8. Mr. Apicha Boonpattarakan | - | 80,000.00 | - | - | 150,000 | - |
| Executive Directors, 3 person | 3,257,000.00 | - | 3,832,088.00 | 5,063,600 | - | 179,069.58 |
| Management | 2,874,669.94 | - | - | 4,093,866 | - | - |
| Total | 6,131,669.94 | 420,000.00 | 3,922,088.00 | 9,157,466 | 760,000 | 179,069.58 |

Remark 1) Remuneration paid upon joining meeting of each director

2. Other remuneration

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



Policy and procedure to monitor the management using inside information

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

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

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



Good Corporate Governance

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

1. Principle and policy of good corporate governance

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

2. Shareholders' Rights

All information must be presented to all shareholders without any condition such as number of share, nationality etc. Every shareholder meeting must follow the public company regulation as the invitation along with meeting agenda must send to every shareholder for the meeting date and advertise to the public. The meeting must take place in a convenience location. During the meeting, all shareholders have an equal right to express their opinion and ask questions for clarification within an appropriate time. Record to the meeting is prepared in a written report which includes all questions, clarification and opinions expressed at the meeting.

In order to following Good Corporate Governance Practice relating to the rights of shareholders and equitable treatment of shareholders, the Company is providing the opportunity for the shareholders to propose matter to be included as an agenda, as well as propose qualified candidate to be nominated as the Company's Director ahead of the Annual General Meeting of Shareholders for the year 2008, starting from November 27, 2007 to December 31, 2007. The detail guidelines and procedure have been disclosed in the Company's website at www.richasiasteel.com.

3. Stakeholders' Rights

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

Staffs : equitable treatment and reasonable benefits to all staff including arrange working environment in good quality.



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

4. Shareholders' Meeting

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

In 2007, the Company held the Annual General Meeting of Shareholders and the Extraordinary General Meeting of the Shareholders once. The Company has adjusted and developed the arrangement formality of each Shareholders' Meeting in order to set standard and comply with the AGM checklist which is evaluated by Thai Investors Association, Thai Listed Companies Association and SEC. The Company set up formality for AGM as follows:

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

2. Facilitating shareholders and their proxy who attend the meeting by using software system in registration in order to make its more convenience and faster and providing card for voting for each set of agenda. For agenda of the election for director, company provided card for voting separated by individual for shareholder to be able to elect director individually. Furthermore, The Company announced



to all shareholders in the meeting how to give their votes, how to count the votes and also the discipline in the meeting before start the meeting.

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

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

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

5. Leadership and Vision

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

6. Conflict of Interest

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

7. Business Ethics

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

Best practices on operation

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

1. Action with loyalty, transparency and fair and adequate disclosure to ensure that any decision making will be optimized benefits to concerned parties.



2. Action on most carefully and ability to maintain standard of works and always develop performance.
3. Do not use company's inside information or secret for own benefit and/or related person.
4. Follow the related laws and regulations and cooperate for auditing by internal audit and external party.
5. Develop company's information for outsider understanding.

Best practise to beneficiaries

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

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

8. Balance of Power for Non-Executive Directors

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

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

With the knowledge, experience and skill of all directors are used to conduct a managing policy for providing the best benefit to the company. All 3 independent directors represent 37.50% of total directors, showing good balance of power. For the positioning of new independent directors must be voted in shareholders' meeting, except the independent director resigns before the end of period.



9. Aggregation and Segregation of Positions

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

10. Directors and Management's Remuneration

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

11. Board of Directors' Meetings

At least one meeting within three months has been requested. All subjects and the meet's agenda must send to all directors at least 7 days in advance. The meet's secretary must prepare correctly and keep all meetings' record.

In 2007, 9 board of directors' meets have been occurred as the following attendance:

| Name | Position | Attending Meeting/Total Meeting |
|-----------------------------------|---|---------------------------------|
| Committees | | |
| 1. General Naruedol Dejpradiyuth | Chairman of the Board of Directors / Chairman of Audit Committee | 9/9 |
| 2. Mrs. Phimsiri Keeratithiansiri | Committee | 9/9 |
| 3. Mr. Rittirong Intarajinda | Committee | 8/9 |
| 4. Miss Angkarn Tantiviroon | Committee | 9/9 |
| 5. Mr. Somkiat Vongsarajana | Committee | 9/9 |
| 6. Mr. Teera Phoncharoensuk | Committee | 9/9 |
| 7. Mr. Surapong Churangsarit | Audit Committee | 9/9 |
| 8. Mr. Apicha Boonpattarakan | Audit Committee | 9/9 |



12. Committee

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

13. Internal Control and Internal Audit

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

14. Statement from the Board of Directors

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

15. Investor Relations

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



Internal Audit System

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

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

Board of Directors conclude that the company conform good corporate governance and adequate internal control system according to SEC'S evaluation form especially the internal control of related transaction with major shareholders, directors, management and related to such person and carried out adequate information disclosure. A company has established internal audit department on October 3, 2005 for evaluate and analyze risks and submit suggestion regarding company's internal control system including financial audit, operation audit, compliance audit, auditing related transaction and preparing audit report directly submit to audit committee and Board of Director.



Related Parties Transactions

| Company / People | Relationship | Transaction Account | 2006 (Million Baht) | 2007 (Million Baht) | Necessity, reasonableness and Audit Committee's Opinion |
|---|---|---|--|---|--|
| <u>Siam Ferro Industry Co., Ltd (SFI)</u> | - Miss Angkakarntantiviroon, director and shareholder of the Company, is the plan Administrator of Siam Ferro Industry Co., Ltd. since 2003. In addition, Miss Angkakarntantiviroon used to be a director and a shareholder of Maximum Holding Co., Ltd. (the former name is "Rich Asia Holding Co., Ltd"), as shareholder of Siam Ferro Industry Co., Ltd. (Miss Angkakarntantiviroon and Mrs. Phimsiri Keeratithiansiri, director and shareholder of the Company, used to held 15% and 15% in Maximum Holding Co., Ltd. (the former name is "Rich Asia Holding Co., Ltd"), which held 30% in Siam Ferro Industry Co., Ltd., At present, Mrs. Phimsiri Keeratithiansiri and Miss Angkakarntantiviroon have already sold their entire stake in Maximum Holding Co., Ltd. to the third party in January 2006.) | 1. Sell 2. Buy 3. Steel pipe production expense 4. Account payable | - 0.55 37.62 0.44 | 0.026 0.028 22.39 0.93 | - The 1st item in the list is sale of angle bar to SFI for factory renovation. Comparison to the sale to unrelated parties, the terms and condition of sale was done in normal way of business. - The 2nd item in the list is buying of C-Channels steel form SFI during the 4th quarter of the year 2549 due to the insufficient of goods for sale which the terms and condition of sale was done in normal way of business if compare with the sales to non-related parties. - The expense derived from the hire of production of the 3rd item and the payment of Account Payable and Notes Payable of the 4th item derived from the policy of the company to maximize its production efficiency. This makes the company has more capacity in production and the varieties of goods in size, quantity, and quality. This afore said contracts' terms and conditions can be compared with the hire of produce contracts of Inter Metal Tube Alliance (Thailand) Co., Ltd. made with non-related parties. (See also the details in the section of policy and the future related parties transactions tendency of the company.) |



| Company / People | Relationship | Transaction Account | 2006 (Million Baht) | 2007 (Million Baht) | Necessity, reasonableness and Audit Committee's Opinion |
|---|--------------|---|--|---|--|
| <p>Siam Ferro Industry Co., Ltd (SFI)</p> | | <p>5. Others expense (such as transportation fee, maintenance service fee and others)</p> <p>6. Accrued expense</p> <p>7. Transport income</p> <p>8. Other income</p> | <p>10.41</p> <p>-</p> <p>--</p> <p>0.006</p> | <p>5.03</p> <p>0.19</p> <p>0.001</p> <p>0.006</p> | <p>- Due to the insufficient of truck to deliver goods to customers and the necessity of the maintenance of the trucks that run in the route to the place where they have to collect the goods up, the expense of the 5th item and unpaid expense of the 6th derived from the contract we made with SFI in order to hire SFI to help deliver goods to the customers and having truck maintenance at the SFI transportation maintenance station which on the way of delivery. The expense in this case can be compared with other contracts made with non-related parties.</p> <p>- Income earned of the 7th item in the list is the income derived from the fact that SFI hire the company to deliver the goods, which SFI bought from the company, to their customers. The reason of this transaction is that SFI has not enough vehicles for goods delivering during that moment. The rate of this hire can be compared with the rate which the company hires other non-related company to deliver goods to the customers.</p> <p>- Other expense of the 8th item occurs in the case where the SFI trucks came to deliver goods to the company and they ran out of fuel to return to SFI. Hence, the company sold fuel to the SFI using the market price at the date SFI buy fuel from the company</p> <p><u>Audit Committee's Opinion</u></p> <p>These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions</p> |



| Company / People | Relationship | Transaction Account | 2006 (Million Baht) | 2007 (Million Baht) | Necessity, reasonableness and Audit Committee's Opinion |
|-----------------------------|--|----------------------|------------------------|------------------------|---|
| <u>A.T. Steel Co., Ltd.</u> | Miss Angkarn Tantiviroon, director and shareholder of the Company and her family hold 10.00% and 90.00% respectively in A.T. Steel Co., Ltd. | 1.Rental and utility | 1.17 | 1.19 | <p>- Transaction occurred due to the company lease land and building for being distribution center to distribute products in eastern Bangkok area, was the renewed property rental agreement of land, building and equipment. Currently the company pay a lower rental fee at the rate of 13 Baht/sq.m./month compared to rental rate of other properties (new warehouse 2-3 storeys) in the same area which is 80-100 Baht/sq.m./month for space of 750-800 sq.m. and also there are some difficulties of finding other properties with a large space same as the rental one. For the public utility expense from A.T. Steel Co., Ltd. was the water supply expense that A.T. Steel advance paid and billed such expense to the company.</p> <p><u>Audit Committee's Opinion</u></p> <p>These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions</p> |



| Company / People | Relationship | Transaction Account | 2006 (Million Baht) | 2007 (Million Baht) | Necessity, reasonableness and Audit Committee's Opinion |
|----------------------------|--|--|---|--|--|
| G.T. Steel Works Co., Ltd. | Miss Angkarn Tantiviroon, director and shareholder of the Company, and family held 3.50% and 96.34%, respectively in G.T. Steel Work Co., Ltd. | 1. Sell 2. Account receivable 3. Buy round steel bars 4. Account payable 5. Buy equipment 6. Maintenance service fee 7. Transport income | --- --- 0.28 0.10 0.07 0.72 --- | 0.22 0.02 --- --- --- 0.98 0.008 | <ul style="list-style-type: none"> - The goods sale in the 1st item, account receivable and advance cheques in 2nd item of G.T. Steel Works Co., Ltd. was a transaction with normal terms and conditions of business, compared with non-related customers. - No related transaction in 2007 - No related transaction in 2007 - No related transaction in 2007 - The maintenance service fee in 6th item, the company has hired G.T. Steel Works Co., Ltd. to repair equipments and the machines at the company's factory due to G.T. Steel Works Co., Ltd. locate near to the company factory which can save time for maintenance equipments and machines. Most of service charges was only cost of equipments. - The transportation income in the 7th item occurring from G.T. Steel Work hiring our trucks to delivered goods to their customers due to their insufficient of trucks and our trucks is available. Service charges to G.T. Steel Works can be to compared to the transaction which the company paid to non-related parties. <p><u>Audit Committee's Opinion</u></p> <p>These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions.</p> |



| Company / People | Relationship | Transaction Account | 2006 (Million Baht) | 2007 (Million Baht) | Necessity, reasonableness and Audit Committee's Opinion |
|--------------------------------------|--|--|---|--|---|
| <u>Genius Tech Trading Co., Ltd.</u> | G.T. Steel Work Co., Ltd. and brother in law of Miss Angkarn Tantiviroon, director and shareholder of the Company, held 40.00% and 10.00%, respectively in Genius Tech Trading Co., Ltd. | 1. Selling billets 2. Account receivable and advance cheque 3. Buying round bars 4. Account payable 5. Maintenance service fee | 167.94 10.76 0.05 0.13 0.01 | 157.34 --- 21.03 0.04 0.36 | <ul style="list-style-type: none"> - The sale in 1st item and account receivable in 2nd item of Genius Tech Trading Co., Ltd. was the order of billets that is raw material for produce steel bars, which is their core business. They bought deformed bars from company to accommodate their customers. The transaction was normal terms and conditions of business which can be compared with non-related parties. - The goods buying in 3rd item, Accounts and Notes payable in 4th item occurred by ordering round bars from Genius Tech Trading Co., Ltd. to be used for building company's distribution centers. The transaction was normal terms and conditions of business which can be compared with non-related parties. - The maintenance charge in the 5th item occurring by the company bought some spareparts from Genius Tech Trading including their maintenance service in order to facilitate and time saving compared to buying from other store. <p><u>Audit Committee's Opinion</u></p> <p>These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions.</p> |



| Company / People | Relationship | Transaction Account | 2006 (Million Baht) | 2007 (Million Baht) | Necessity, reasonableness and Audit Committee's Opinion |
|--------------------------|---|--|------------------------|------------------------|--|
| <u>PAP Exim Co., Ltd</u> | Mr. Songdech Atimethin's, an executive management of the Company, brother and his brother's family of are directors and hold 96.80% in PAP Exim Co., Ltd. | 1. Sell steel pipes 2. Account receivable and Advanced cheque | 60.48 1.62 | 27.41 | - The goods sale in 1st, Account receivable and Advance cheque in 2nd item, PAP Exim Co., Ltd. was a customer which was order steel pipe from the company to sell normally. The transaction was normal terms and conditions of business which can be compared with non-related parties. <u>Audit Committee's Opinion</u> These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions. |



| Company / People | Relationship | Transaction Account | 2006 (Million Baht) | 2007 (Million Baht) | Necessity, reasonableness and Audit Committee's Opinion |
|----------------------------------|--|---|------------------------|------------------------|---|
| <u>Thanasap Pisarn Co., Ltd.</u> | Young brother and young brother's wife of Mr. Songdech Atimethin, a member of management of the Company, is a director and holding 99.00% in Tanasup Paisarn Co., Ltd. | 1.Account receivable and Advanced cheque | 9.90 | 9.90 | <ul style="list-style-type: none"> - Accounts receivable and Advanced cheque in 1st item was transaction of selling steel pipes in 2003. - The Court has ordered on Red case No. 655/2549 and 2214/2549 to Thanasap Pisarn to pay debt to company - From investigation, Thanasap Pisarn, there were no any asset to be forced. - Currently, the Company was fully set allowance for doubtful account. <p><u>Audit Committee's Opinion</u></p> <p>These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions.</p> |
| <u>Mahalap Metal Co., Ltd.</u> | Young brother and young brother's family of Mr. Songdech Atimethin, a member of management of the Company, is a director and holding 99.99% in Mahalap Metal Co., Ltd. | 1. Sell steel pipes 2. Account receivable and Advance cheque | 16.19 --- | 13.46 0.09 | <ul style="list-style-type: none"> - The sale in 1st item and Account receivable and Advanced cheque in 2nd item that Mahalap Metal Co. Ltd. was a customer which was order steel pipe from the company to sell normally. The transaction was normal terms and conditions of business which can be compared with non-related parties. <p><u>Audit Committee's Opinion</u></p> <p>These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions.</p> |



| Company / People | Relationship | Transaction Account | 2006 (Million Baht) | 2007 (Million Baht) | Necessity, reasonableness and Audit Committee's Opinion |
|-----------------------------|--|--|------------------------|------------------------|--|
| Chaisupon Co., Ltd. | Young brother and young brother's family of Mr. Songdech Atimethin, a member of management of the Company, is a director and holding 99.99% in Chaisupon Co., Ltd. | 1. Sell steel pipes 2. Account receivable and Advanced cheque | 6.68 0.39 | 8.66 --- | <p>- The sale in 1st item and Account receivable and Advanced cheque in 2nd item. Chaisupon Co., Ltd. was a customer who purchase steel pipes from the company to sell normally. The transaction was normal terms and conditions of business which can be compared with non-related parties.</p> <p><u>Audit Committee's Opinion</u></p> <p>These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions.</p> |
| <u>Hansawad Ltd., Part.</u> | Mr. Songdech Atimethin's family, a member of management of the Company, is a director and holding 100.00% in Hansawad Ltd., Part. | 1. Sell steel pipes 2. Account receivable and Advance cheque | 2.67 | 2.06 0.04 | <p>- The sale in 1st item and Account receivable and Advanced cheque in 2nd item. Hansawad Co., Ltd. was a customer who purchase steel pipes from the company to sell normally. The transaction was normal terms and conditions of business which can be compared with non-related parties.</p> <p><u>Audit Committee's Opinion</u></p> <p>These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions.</p> |



| Company / People | Relationship | Transaction Account | 2006 (Million Baht) | 2007 (Million Baht) | Necessity, reasonableness and Audit Committee's Opinion |
|--|--|--------------------------|------------------------|------------------------|--|
| <u>Team Vis Construction Co., Ltd.</u> | Mr.Rittirong Intarajinda, a director of the Company, is a director and holding 87.99% in Team Vis Construction Co., Ltd. | 1. Construction Expenses | 6.27 | 0.79 | <p>- The construction expense in 1st item occurred by the former contractor had abandoned their works. The company has to contact Team Vis Construction Co., Ltd. to handle for substitution. Core business of Team Vis Construction Co., Ltd. is the contractor to premium customers i.e. construct royal palace, hotel and large scale building. The transaction was normal terms and conditions of business which can be compared with non-related parties.</p> <p><u>Audit Committee's Opinion</u></p> <p>These related parties transaction's are reasonable and benefit to the company. Terms and conditions are normal business transactions.</p> |



| Company / People | Relationship | Transaction Account | 2006 (Million Baht) | 2007 (Million Baht) | Necessity, reasonableness and Audit Committee's Opinion |
|--------------------------------|----------------------|---|---------------------------|----------------------------------|---|
| Miss. Angkakarn Tantiviroon | CEO and share holder | 1. Debtor from damage compensation 2. Interest revenue 3. Revenue from dept repayment receipt from instead account receivable | --- --- --- | 132.69 6.628 47.37 | <p>- Debtor from damage compensation, Interest revenue and other income in the 1st, 2nd and 3rd items occurred by CEO's responsibility to compensate damage from doubtful debt of one Account receivable, who is one of major steel manufactures has default payment to company amount of 180.07 million baht. The other supplier who supplied goods to such Account receivable also be damaged. However, the process of sales to this account receivable has been operated according to company's regulation and normal business transaction compared to the other customers.</p> <p><u>Audit Committee's Opinion</u></p> <p>The transaction was done to reduce damages to company and shareholders which is fair and there is no any conflict of interest, the transaction is reasonable, normal term and condition, benefit to company's operation and also being perform CEO's responsibility in management.</p> |



In addition, on 31 December 2007 the company has entered into loan agreement with 3 banks in a private customer amount of Baht 1,354.25 million and have foreign loan amount 5.82 as follow :

| | | |
|----------------------|--------|----------|
| - OD | 10.00 | ml. Baht |
| - Short loan | 446.00 | ml. Baht |
| - L/C, T/R | 600.00 | ml. Baht |
| - CBD | 30 .00 | ml. Baht |
| - Long term loan | 38.25 | ml. Baht |
| - Instant loan | 230.00 | ml. Baht |
| - Instant loan (USD) | 5.82 | ml. USD |

All the above amount of loan is secured by the company using the asset in the company fix deposit account, the mortgage of land and building of the company and guaranteed by Miss Angkakarn Tantiviroon, a director and major share holder of the Company, including her own asset as collateral to these banks. (As note to financial statement No. 16)

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

Audit Committee's Opinion

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



The measure or step of approval for the related transactions

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

Policy and the tendency of future related transaction

1. Related transaction between the company and the related persons

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

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

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

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

1.5 Miss Angkakarn tantiviroon : debtors who agreed to responsible for the debt in place of a customer in order to compensate loss to the company and shareholders will be maintained in the company account with the condition to pay by installment until the company fully receive the principal and interest as agreed.

2. Policy for future related parties transactions

2.1 Policy of the future transaction with Siam Ferro Industry Co.,Ltd.

The company will provided regulation for the hire of steel pipe production and trade between the company and SFI in order to mantor the actual business transactions to be reasonably and maximized benefited to the company as follow:



- The accounting department will make a report of every commercial transactions between the company and SFI and pass it to internal audit department to make the comparison of price and conditions report at the end of every quarter of the year in order to submit to audit committee to examine and give opinion for important issues. This report will consist of the trading suitability issue and the reasonable price and conditions for the hire of production issue in compare with the trade and hire of production done with other person or in compare with self-production and also including practice to conditions which written in the hire of production contract. The data provide in the report will consist of cost of self-production and cost of the hire of production, gross profit (incase of self-production and incase of hire of production), reasons for the arrangement for the hire of production of the goods which can be self-produced, price and conditions for the hire of production, in compare with the hire of production of unrelated parties that hire other manufacturer to produce for them.
- Submit the report of commercial transaction between the company and SFI with the opinion of the audit committee quarterly to the companies' auditor for inspection.
- Submit the report of commercial transaction between the company and SFI with the opinion of the audit committee to the board of directors for inspection.
- The board of directors will disclose the commercial transaction between the company and SFI in the note of the quarterly financial statement and yearly financial statement.
- Make report concerning the opinion of the audit committee about the commercial transactions made with SFI during the year to disclose it in the form 56-1(annual information disclosure) and in the form 56-2 (annual report) of the company
- The change or alteration of the hire of production contract made with SFI, the audit committee will be the one who will give opinion about the suitable of such change or alteration in the significant of the contract and present it before the board of directors to make decision before taking such action.

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

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



2.2 Policy for the future other related parties transactions

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

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

Miss Angkakarn Tantiviroon: director of the company shows responsibility by responsible for the debt in place of a customer in order to compensate loss to the company and share holders. The payment made in place of the debtor will be maintained in the company account with the condition to pay by installment until the company fully receive the principal and interest as agreed.



Management's Discussion and Analysis Year 2007

Financial statements

| | 2005 | | 2006 | | 2007 | |
|---|-----------------|---------------|-----------------|---------------|-----------------|---------------|
| | Million Baht | % | Million Baht | % | Million Baht | % |
| Current Assets | | | | | | |
| Cash on hand and at banks | 35.30 | 2.34 | 28.52 | 1.67 | 32.37 | 1.56 |
| Short term loan to other company | - | - | - | - | 37.89 | 1.83 |
| Note and account receivables | 773.80 | 51.20 | 619.32 | 36.28 | 881.56 | 42.48 |
| Inventories | 343.11 | 22.70 | 472.50 | 27.68 | 441.11 | 21.26 |
| Other current assets | 0.70 | 0.05 | 159.64 | 9.35 | 111.51 | 5.37 |
| Total current assets | 1,152.92 | 76.28 | 1,279.98 | 74.98 | 1,504.44 | 72.50 |
| Fixed deposit to bank | 149.14 | 9.87 | 207.00 | 12.13 | 230.77 | 11.12 |
| Investment in property | 39.70 | 2.63 | 39.70 | 2.33 | 9.89 | 0.48 |
| Land building and equipment-net | 169.37 | 11.21 | 177.21 | 10.38 | 277.70 | 13.38 |
| Other assets | 0.32 | 0.02 | 3.19 | 0.19 | 52.33 | 2.52 |
| Total assets | 1,511.45 | 100.00 | 1,707.08 | 100.00 | 2,075.13 | 100.00 |
| Short term loans and overdraft | 377.39 | 24.97 | 728.19 | 42.66 | 1,211.90 | 58.40 |
| Note and account payables | 474.30 | 31.38 | 182.36 | 10.68 | 180.40 | 8.69 |
| Portion of long term loan due within 1 year | 4.38 | 0.29 | 2.78 | 0.16 | 10.41 | 0.50 |
| Other current liabilities | 159.48 | 10.55 | 50.77 | 2.97 | 41.26 | 1.99 |
| Total current liabilities | 1,015.55 | 67.19 | 964.10 | 56.48 | 1,443.97 | 69.58 |
| Long term loan | - | - | - | - | 29.25 | 1.41 |
| Payable under hire-purchased-net | 4.19 | 0.28 | 1.41 | 0.08 | - | - |
| Total Liabilities | 1,019.74 | 67.47 | 965.51 | 56.56 | 1,473.22 | 70.99 |
| Registered capital | 400.00 | 26.46 | 500.00 | 29.29 | 1,000.00 | 48.19 |
| Issue and fully paid | 400.00 | 26.46 | 500.00 | 29.29 | 500.00 | 19.09 |
| Premium on shares capital | - | - | 118.25 | 6.93 | 72.29 | 3.48 |
| Legal reserve | | | 4.59 | 0.27 | | |
| Retained earnings | 91.70 | 6.07 | 123.32 | 7.22 | 29.62 | 1.43 |
| Total Shareholders' equity | 491.70 | 32.53 | 741.57 | 43.44 | 601.91 | 29.01 |
| Sales | 4,904.96 | 99.69 | 4,332.50 | 99.70 | 4,551.43 | 98.17 |
| Other income | 15.03 | 0.31 | 12.95 | 0.30 | 84.94 | 1.87 |
| Total revenues | 4,919.99 | 100.00 | 4,345.45 | 100.00 | 4,636.37 | 100.00 |
| Cost of goods sold | 4,776.30 | 97.08 | 4,114.11 | 94.68 | 4,366.72 | 94.18 |
| Selling and administrative expenses | 80.07 | 1.63 | 84.12 | 1.94 | 283.21 | 6.11 |
| Interest expenses | 26.90 | 0.55 | 36.73 | 0.85 | 60.09 | 1.30 |
| Corporate tax | 20.86 | 0.42 | 28.87 | 0.66 | 18.49 | 0.40 |
| Net profit | 15.87 | 0.32 | 81.62 | 1.88 | -92.14 | -2.11 |



Statement of Cash Flows

| | 2005 | 2006 | 2007 |
|--|---------------|---------------|----------------|
| Cash flows from operating activities | | | |
| Net profit | 15.87 | 81.62 | -92.14 |
| Adjustment to reconcile net profit to net cash provided from operation | | | |
| Depreciation and amortized allowance for doubtful accounts | 15.78 | 21.75 | 22.61 |
| Loss on devalue of goods and raw material | - | - | 180.07 |
| Loss on disposal of assets | 12.04 | -11.42 | 0.86 |
| Amortisation of intangible asset | 0.13 | - | 0.07 |
| Loss from unrealized of investment in trading security | | | 0.20 |
| Gain from sale of investment in property | | | 11.50 |
| Gain from sale of property, plant and equipment | | | -3.73 |
| Loss on exchange rate | - | 1.38 | -0.01 |
| Loss on impairment of asset | 15.67 | - | 0.26 |
| Amortized interest on hire - purchases | 0.95 | 0.94 | - |
| Gain on operating before changed in operating assets and liabilities | 60.45 | 99.15 | 0.41 |
| Decrease (increase) in operating assets | | | |
| Temporary investment | | | -49.40 |
| Trade accounts receivable | -532.21 | 154.48 | -442.30 |
| Inventories | 159.92 | -122.8 | 33.05 |
| Advance payment - goods | | -131.22 | 39.85 |
| Account Receivable - Revenue department | | | -12.70 |
| Other current assets | 27.37 | -8.77 | 2.05 |
| Decrease (increase) in operating liabilities | | | |
| Trade accounts payable | 428.8 | -297.4 | 1.86 |
| Other current liabilities | 70.75 | -134.64 | 13.18 |
| Net cash provided from (used in) operating activities | 215.07 | -440.2 | -294.31 |
| Cash flows from investing activities | | | |
| Pledged deposit at financial institution | 116.47 | -57.86 | -23.77 |
| Non other current asset | -0.47 | -0.08 | -0.42 |
| Purchase of property plant and equipments | -69.9 | -29.59 | -114.96 |
| Guarantee deposit - land sale | 5 | 10 | - |
| Disposal of assets | - | - | - |
| Payment for deposit for purchased land and property | - | - | -50.00 |
| Intangible asset (increase) decrease | - | -1.71 | - |
| Sale of property, plant and equipment | | | 0.01 |
| Sale of investment property | | | 18.55 |



| | | | |
|--|----------------|---------------|----------------|
| Short term loan to other company (increase) decrease | 0.25 | 0 | 0.00 |
| Deferred interest on hire-purchase (increase) decrease | - | - | - |
| Net cash provided from (used in) investing activities | 51.35 | -79.24 | -170.59 |
| Cash flows from financing activities | | | |
| Bank overdrafts and loan from finance institutions | | | |
| - increase (decrease) | -169.84 | 350.8 | 458.94 |
| Received advances and loan from related parties | 376.48 | - | 24.76 |
| Repayment advances and loan from related parties | -441.04 | - | 38.25 |
| Increase capital | - | 100.00 | - |
| Liabilities under financial lease agreement | -4.02 | -5.32 | -3.19 |
| premium on share capital | | 118.25 | - |
| Dividend paid | | -50 | -50 |
| Net cash provided from (used in) financing activities | -238.42 | 513.74 | 468.76 |
| Net cash on hand and cash equivalents increase (decrease) | 28 | -6.78 | 3.86 |
| Cash on hand and cash equivalents as at the beginning | 7.3 | 35.3 | 28.51 |
| Cash on hand and cash equivalents as at the ending | 35.3 | 28.52 | 32.37 |

Operational results

Rich Asia Steel Public Company Limited business is being a seller and supplier of steel products which acquired from trading as well as hiring other steel plants to produce the products for the company, the company is also a trader and supplier of other types of steel products including raw materials and finished products. The finished products are composed of, for example, structural steel pipe, lipped channel, hot rolled coil and sheets, billets, and others.

The company operated 4 distribution centers in Bangkok and suburb. The company has bought the building, factory and invest in machine for hot rolling steel product, the machine has completely installed on December and able to produce for commercial.

In 2007, the company start new business of procurement special grade Hot Rolled Coil to supply to the customer in gas cylinder industry with amount of 50.47 million baht.

Sales

Sales for the year ended December 31, 2007 amounted to 4,551.43 million baht compared to previous year 4,332.51 million baht increase for 5.05%. However the revenue proportion of structural steel products has been decreased. The products which sale volume decreased are square tube, black steel pipe and rectangular tube. The products which sale volume increased are light lipped channel, Angle bar, Hot Rolled Coil and steel bar.



Company's sale volume in 2007 increased by the domestic selling prices has increased from average selling price of 20,800 baht/ton in 2006 to 22,300 baht/ton in 2007 or increased 7.21%. In term of selling quantity has been decreased from 223,000 ton in 2006 to 216,000 ton in 2007 or decreasing 3.14%.

Cost of goods sold

In 2007 the company cost of goods sold was 4,366.72 million baht, or 95.94% of total revenue. Average cost of goods sold in 2007 is higher compared to 2006 which was 4,114.11 million baht or increased 1.09%.

Selling and administrative expenses

Selling and administrative expenses in 2007 was 284.21 million baht or 6.22% of total revenue. The proportion of sale and administrative expenses has increased compared to the selling and administrative expense during last 3 years due to the company expanded distribution centers which cost to sale and administrative for support the enlargement of distribution centre. For the increased variable expenses in year 2007 were salary, wages, transportation, audit fee, maintenance, depreciation, other service fee, and doubtful debt

Gross margin

Company's gross margin in 2007 was 184.71 or 4.06% of total revenue which was decreased from 2006 due to increasing of raw material price. In 2006 the price of raw material was 18.04 Baht/kgs. and increased to 19.08 Baht/kg in 2007 or 8.15%. Furthermore production expenses are also increased from 2006. i.e wages, depreciation and transportation expenses.

Net profit

In 2007, company stated net loss for 92.14 million baht equal to -1.99% of total revenue or net loss ratio increased to – 106.53% compared to 2006. The company accounted for doubtful debt of one debtor amount 180.06 million baht, the declining in value of inventories 1.48 million baht which increasing from 2006 amount 0.86 million baht, unrealized of investment in trading security amount 11.50 million baht and interest expense amount 60.09 million baht increasing from 2006 baht 23.36 million due to during 2007 the company has additional borrowing from financial instution for working capital.

Financial status

Assets

On December 31, 2007 the total asset was Baht 2,075.14 million increased from 1,689.57 million baht in 2006 which is increased by current asset from the last year amount Baht 37.89 million, accounts



and notes receivable amount Baht 619.32 million in 2006 to Baht 881.56 million in 2007, non-current asset comprising of deposit pledged to financial institution for collateral increased from Baht 207 million baht to Baht 277.70 Baht and deposit paid for land amount Baht 50.00 million, for this reason, total asset was higher than year 2006.

At the end of 2007, account receivable were Baht 881.56 million and collection period is 59 days longer than year 2006 by the result of credit term extension to the reliable customer.

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

Provision is made of accounts receivable amounts outstanding over 12 months and 100% amount which the management believe may be doubtful deducted by received debt payment. Moreover company shall record or take legal obligation for troubled customer which is not comply with trade agreement.

Liquidity

According to various of product sizes and types procurement and company policy to maintain minimum 1 month stock of inventory for the purpose of efficiency respond to customer requirement. The company purchase raw material in cash, produce and sell finished product in credit term condition.

Therefore, the company require huge amount of working capital from both company shareholders' equity and financial institution for inventory management.

At the end of year 2006, the company had cash and cash equivalents about Baht 28.52 million, declining Baht 6.78 million from last year. As a consequence of the company generated cash flows from Operating Activities decreased Baht 440.20 million from the last year. Meanwhile, cash flows used in Investing Activities amounted to Baht 79.24 million. Part resulted from the company acquired more plant, property, and equipment. Moreover, cash flows provided from Financing Activities was Baht 513.74 million, due to increased short term loans and overdraft at Baht 350.80 million, the Company sold increase common shares to the public by issuing 100,000,000 new common shares at Baht 2.25 per share totaling amount Baht 225.0 million. There are premium on share capital amount Baht 118.25 million and dividend payment at Baht 50 million.

As at December 31, 2007, Cash Used from Operating Activities have been reported as Baht 294.31 million, the main reasons were increasing of Accounts and Notes Receivable Baht 454.91 million which including Doubtful Debt Baht 180.07 million. Increasing of Temporary Investment Baht 49.38 million, inventories have been decreased by Baht 33.04 million, increasing of Accounts and Notes Payable Baht 1.85 million. Cash Used from Investing Activities have been reported as Baht 170.59 million as a result of investment in Chachengsao distribution project Baht 17.42 million, Cash Payment for Deposit for Purchased Land plus Property Baht 50 million, more new installing machineries Baht 73.17



million and increasing of Pledged Deposit at Financial Institution Baht 23.76 million. Cash Provided from Financing Activities Baht 468.76 million due to increasing of Short-Term Loans from Financial Institution Baht 458.93 million for the purpose of raw materials payment and decreasing in account payable. Long-Term Loans from Financial Institution increasing by Baht 38.25 million, whereas dividend payment at Baht 50 million. At the end of year 2007, company had cash and cash equivalents Baht 32.37 million.

3. Source of Financial Capital

Liabilities

As at December 31, 2006, total liabilities were Baht 945.51 million, decreasing Baht 74.23 million or 7.27% due to return to account payables amount Baht 291.94 million. There was an decrease in other current liabilities amount Baht 108.71 million whereas increase in short term loans and overdraft amount Baht 350.80 million for raw material procurement plan. Most of liabilities are short term liabilities for the purpose of working capital in business.

As at December 31, 2006, total liabilities were Baht 1,473.21 million, increasing Baht 527.70 million or 55.81% because increase in Short-Term Loans from Financial Institutions amount Baht 458.93 million, increase in Short-Term Loans from Security Company 24.76 million and increase in other account payable 24.24 million, whereas accounts payable is slightly increase for Baht 2.12 million. Long Term Loans from Financial Institutions amount Baht 45 million is currently outstanding for 38.25 million.

Shareholder's equity

Presently, the issued and fully paid capital of the Company is Baht 1,000 million, increased from Baht 500 million for 2006. As at the end of 2007, shareholder's equity is Baht 601.92 million, compared to Baht 744.06 million for 2006. In accordance with the resolution of the board of directors meeting no. 9/2007 held on November 13, 2007 and the resolution of the extra-ordinary shareholders meeting no. 1/2007 held on December 14, 2007, they are unanimously resolved that compensation of accumulated loss is approved as of September 30, 2007 in amount of Baht 54.63 millions. The legal reserve in amount of Baht 8.67 millions and premium on share capital in amount of Baht 45.96 millions are taken to compensate against accumulated loss.

Debt to equity ratio moved from 1.27 times for 2006 to 2.45 times for 2007.

Audit Fee

S.K. ACCOUNTANT SERVICES COMPANY LIMITED is an independent auditor whom doesn't have any relationship with the company. The annual audit fee is Baht 0.65 million per year and the financial review is Baht 80,000 per quarter, thus, totally audit fee in 2007 was Baht 0.89 million.



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

1. Volatility of world steel prices is a significant factor effect to domestic steel prices which cause the different performance from making decisions on investment. To deal with this volatility, the company has closely monitored and made the best possible decision approach regarding unpredictable steel prices.

2. The company has invested in distribution centers, this investment result to increase construction expense, selling and administrative expenses and also infrastructure utilized expenses which may cause lower company performance in short term, however the investment is expected to improve to better market penetration, and improve customer service for local markets in long term.

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

Industry Situation and Trend

Steel pipe situation in 2007

The steel consumption quantity in 2007 is continuously decelerated compare to the previous year, due to domestic economic situation and internal politic changing are the reasons for delay in government mega project. Decreased in production leaded to severe price competition.

Average price (FOB) of Hot Rolled Coil, important raw material which influence to cost of steel pipe products, increase from USD493/Ton in 2006 to USD630/Ton in 2007 or 27.79% which the result of steel demand increasing in China and world market.

Steel Pipe Industry Trend

Trend of steel pipe industry depends on the consumption of steel pipe in relative industries i.e.automobile, construction, furniture, electric appliances and others industries. In 2008 are forecasted that steel pipe industry's growth would be the same trend of world market, the price may increase more than 27.79%. Steel pipe production would be increase which stimulated by government mega project i.e. sky train, double pair rail.

Nevertheless, in 2007 steel consumption would be stable or slightly decreased caused by internal politic changing. Presently, the government still maintain mega projects to boost up overall economics, for this reason, company forecast that steel consumption will be increasing in 2008.



Resume of Directors and Managements of Rich Asia Steel Public Company Limited as of December 31, 2007

| Name Age / Position | Education | Relationship with Other management | * % of Total Voting Right | Experience | Lawsuit during 5 years | |
|---|--|--|------------------------------|---|---|--------|
| Gen. Naruedol Dejpradiyuth Age : 70 Chairman of Audit Committee | Bachelor of Science Chulachomklao Royal Military Academy National Defence College of Thailand#32 Command and Staff College#47 Director Accreditation Program (DAP) 47/2005 | -None- | -None- | 27 Jan. 2006 - Present 1998 – Present 1991 – 1998 | - Chairman of Audit Committee Rich Asia Steel Public Company Limited - Director Phuket Fanta Sea Public Company Limited - Director Safari World Public Company Limited | -None- |
| Ms. Angkakarn Tantiviroon Age : 43 Chief Executive Officer | Bachelor Degree Economics Ram Kham Heang University Bachelor Degree Business and Finance Hasting College UK. University Director Accreditation Program (DAP) 51/2005 | Granddaughter of Mrs. Phimsiri Keeratithiansiri | 5.23% | 1 Oct. 2005 - Present 10 May. 2004 – 30 Sep. 2005 2003 – Present 1989 – 2001 | - Chief Executive Officer Rich Asia Steel Public Company Limited - Director Rich Asia Steel Public Company Limited - Planner Administrator Siam Ferro Industry Co., Ltd. - Manufacturing Director GT Steel Works Co., Ltd. | -None- |
| Mrs. Phimsiri Keeratithiansiri Age : 57 Director | Diploma Degree Accounting Bangkok Business College Director Accreditation Program (DAP) 51/2005 | Aunt of Ms. Angkakarn Tantiviroon | 7.80% | 27 Jan. 2006 – Present 2000 – 2003 1992 - 1999 | - Director Rich Asia Steel Public Company Limited - Accounting Manager Thanasarn Import-Export Ltd.(Agricultural) - Auditor Assistant GT Steel Works Co., Ltd. (Produce and sell steel bars and scrap) | -None- |
| Mr. Rittirong Intarajinda Age : 44 Director | Master Degree Engineering King Mongkut's institute of Technology North Bangkok Bachelor Degree Electrical Engineering Rajamangala University of Technology Phra Nakhon Chotiwet Campus Director Accreditation Program (DAP) 52/2005 | -None-- | -None- | 27 Jan. 2006 - Present 1991 – Present 1991 – Present | - Director Rich Asia Steel Public Company Limited - Managing Director Team Vis Construction Co.,Ltd. - Manager Partner Team Electric Engineering Partnership (Install Electrical system, Air-condition system, and Communication system) | -None- |



| Name Age / Position | Education | Relationship with Other management | * % of Total Voting Right | Experience | | Lawsuit during 5 years |
|--|---|---------------------------------------|------------------------------|--|--|------------------------------|
| Mr. Somkiat Vongsarajana Age : 45 Managing Director | Bachelor Degree Business Administration Bangkok University (First Honor) Director Accreditation Program (DAP) 51/2005 | -None-- | 0.80% | 1 Oct. 2005 - Present 1 Mar. 2005 – 30 Sep. 2005 2001 – 2005 1993 – 2001 | - Managing Director Rich Asia Steel Public Company Limited - Asst. Managing Director Rich Asia Steel Public Company Limited - Project Finance Manager Felix Hotel Management Co., Ltd. - Project Finance Manager Siam Ferro Industry Co., Ltd. | -None- |
| Mr. Surapong Churangarit Age : 52 Audit Committee | Bachelor Degree Business Administration Ram Kham Haeng University Director Accreditation Program (DAP) 52/2005 | -None-- | -None-- | 27 Jan. 2006 - Present 2545 - Present 2542-2544 | - Audit Committee Rich Asia Steel Public Company Limited - Head Office Internal Audit Department Manager Siam City Bank PLC. - AVP. Internal Audit DBS Thai Danu Bank PLC. | -None- |
| Mr. Apicha Boonpattarakan Age : 46 Audit Committee | Doctoral Degree Marketing University of Maryland at College Park. USA. Master Degree Marketing and Operations Management Ohio State University, USA Bachelor Degree Management Bangkok University Director Accreditation Program (DAP) 51/2005 | -None-- | -None-- | 27 Jan. 2549 - Present 2547 - Present 2545 – 2547 2543 – 2545 2543-2543 | - Audit Committee Rich Asia Steel Public Company Limited - Dean, School of Business Administration Bangkok University - Lecturer School of Business Administration Bangkok University - Asst. Dean, School of Business Administration Bangkok University - Chairman, Department of Marketing, School of Business Administration Bangkok University | -None- |
| Mr. Teera Phoncharoensuk Age : 37 Director / Manufacturing | Bachelor Degree Engineering King Mongkut's University of Technology Thonburi Director Accreditation Program (DAP) 51/2005 | -None-- | 0.60% | 1 Oct. 2005 - Present 1 Apr.2005 - 30 Sep. 2005 1999 - 2004 | - Director / Production Director Rich Asia Steel Public Company Limited - Production Manager Rich Asia Steel Public Company Limited - Factory Manager | -None- |



| Name Age / Position | Education | Relationship with Other management | * % of Total Voting Right | Experience | | Lawsuit during 5 years |
|---|---|---------------------------------------|------------------------------|---|---|------------------------------|
| | | | | | GT Steel Works Co., Ltd. (Produce and sell steel bars and scrap) | |
| Mr. Songdech Atimethin Age : 53 Sales Director | Bachelor Degree Economics Ram Kham Heang University | -None-- | 0.30% | 1 Oct. 2005 - Present 1 Mar. 2005 – 30 Sep. 2005 2001 - 2005 | - Marketing Director Rich Asia Steel Public Company Limited - Sale Manager Rich Asia Steel Public Company Limited - Outsource Sale Representative Rich Asia Steel Public Company Limited | -None- |
| Mr. Ream Saijam Age : 40 Chief Financial Officer | Master Degree Economics Kaerk University Master Degree Business Administration Sukhothai Thammatirat University Bachelor Degree General Management and Business Economics Sukhothai Thammatirat University Bachelor Degree Accounting Prince of Songkla University | -None-- | 0.60% | 1 Oct. 2005 - Present 19 Sep. 2005 – 30 Sep. 2005 2005 – 2005 2002 – 2004 | - Chief Financial Officer Rich Asia Steel Public Company Limited - Accounting Director Rich Asia Steel Public Company Limited - Asst. Managing Director (Accounting & Finance) Cotco Plastic Ltd. - Finance & Accounting Manager Cotco Metal Works Ltd. | -None- |
| Mr. Somphon Srisumran Age : 37 Asst. Accounting Department Manager | Master of Business Administration Degree Finance and Banking Mahanakom University of Technology Bachelor Degree Accounting Kasam Bundit University | -None-- | 0.10% | 16 Jan. 2007 - Present 4 Nov. 2005 – 15 Jan. 2007 3 Jun. 2002 – 3 Nov. 2005 1999 – 2002 | - Assistant Accounting Manager Rich Asia Steel Public Company Limited - Chief of Accounting Department Rich Asia Steel Public Company Limited - Accountant Rich Asia Steel Public Company Limited - Accountant J & J Marine Foods Co.,Ltd. (Shrimp Frozen) | -None- |

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



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

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

Remark:

X = Chairman

N = Chairman of Audit Committee

V = Chief Executive Officer

/ = Director

// = Audit Committee

/// = Managing Director

U = Executive Management

Z = Board of Director

Appendix

Financial Statement

For the Year ended on December 31, 2007

(TRANSLATION)

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

I have audited the balance sheets as of December 31, 2007 the statements of income, the statements of changes in shareholders' equity and the statements of cash flow for the year then ended of **RICH ASIA STEEL PUBLIC COMPANY LIMITED**. These financial statements are the responsibility of the company's management as to their correctness and the completeness of the presentation. My responsibility is to report on these financial statements based on my audit. The financial statements for the year ended on December 31, 2006 of **RICH ASIA STEEL PUBLIC COMPANY LIMITED** were audited by another auditor, who gave an unqualified report thereon dated on February 26, 2007.

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

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

My opinion is still as unqualified. I draw attention on the note to financial statements No. 4. The Company has restated the balance sheet, the statements of income, the statements of changes in shareholder's equity and the statements of cash flow for the year ended on December 31, 2006 for reflect the change in accounting policy involve with inventories are valued at cost under FIFO method to valued at cost under MOVING AVERAGE method. In my opinion, the adjustments are appropriate and have been properly applied.

S.K. ACCOUNTANT SERVICES COMPANY LIMITED

A handwritten signature in black ink, appearing to read 'Somchai Kurujitkosol', written in a cursive style.

(Somchai Kurujitkosol)

Authorized Auditor No. 3277

Bangkok,

February 28, 2008

RICH ASIA STEEL PUBLIC COMPANY LIMITED

BALANCE SHEETS

As of December 31, 2007 and 2006

| | 2007 | 2006 |
|--|-------------------------|-------------------------|
| | Baht | Baht |
| | | (Restated) |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents Items | 32,372,609.68 | 28,516,067.81 |
| Temporary Investment (Note 7) | 37,886,200.00 | - |
| Accounts and Notes Receivable Other Companies-Net (Note 8) | 881,407,176.91 | 606,558,621.54 |
| Accounts and Notes Receivable Related Companies-Net (Note 6.2,9) | 153,251.69 | 12,764,570.56 |
| Inventories-Net (Note 10) | 441,112,826.92 | 475,019,131.59 |
| Other Current Assets | | |
| Advance Payment - Goods | 91,378,135.87 | 131,223,434.16 |
| Account Receivable - Revenue Department | 12,704,772.60 | - |
| Other | 7,426,652.30 | 9,472,492.44 |
| TOTAL CURRENT ASSETS | 1,504,441,625.97 | 1,263,554,318.10 |
| NON-CURRENT ASSETS | | |
| Pledged Deposit at Financial Institution (Note 11) | 230,769,566.67 | 207,000,000.00 |
| Investment in Property (Note 12) | 9,890,000.00 | 39,702,435.60 |
| Property Plant and Equipment - Net (Note 13) | 277,702,893.98 | 177,207,303.73 |
| Intangible Asset (Note 14) | 1,505,606.61 | 1,705,606.50 |
| Other Non-Current Assets | | |
| Deposit Paid for Land (Note 15) | 50,000,000.00 | - |
| Other | 827,373.83 | 402,442.99 |
| TOTAL NON-CURRENT ASSETS | 570,695,441.09 | 426,017,788.82 |
| TOTAL ASSETS | 2,075,137,067.06 | 1,689,572,106.92 |

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

RICH ASIA STEEL PUBLIC COMPANY LIMITED

BALANCE SHEETS

As of December 31, 2007 and 2006

| | | 2007 | 2006 |
|--|--------------|-------------------------|-----------------------|
| | | Baht | Baht |
| | | | (Restated) |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Short-Term Loans from Financial Institutions | (Note 16,17) | 1,187,127,287.11 | 728,191,025.07 |
| Short-Term Loans from Security Company | (Note 18) | 24,768,189.89 | - |
| Accounts and Notes Payable Other Companies | | 179,441,710.54 | 177,612,631.31 |
| Accounts and Notes Payable Related Companies | (Note 6.2) | 962,481.40 | 670,255.71 |
| Current Portion of Liabilities Under Financial Lease Agreement | (Note 19) | 1,413,026.07 | 2,781,617.00 |
| Current Portion of Long Term Loans | (Note 20) | 9,000,000.00 | - |
| Other Current Liabilities | | | |
| Deposit Receipt for Land | (Note 12) | - | 15,000,000.00 |
| Accrued Corporate Income Tax | | 8,185,614.50 | 6,271,873.07 |
| Other Account Payable | | 24,243,412.43 | 7,069,045.99 |
| Others | | 8,827,732.93 | 6,502,461.07 |
| TOTAL CURRENT LIABILITIES | | 1,443,969,454.87 | 944,098,909.22 |
| NON-CURRENT LIABILITIES | | | |
| Long Term Loans from Financial Institutions - Net | (Note 20) | 29,250,000.00 | - |
| Liabilities under Financial Lease Agreement - Net | (Note 19) | - | 1,413,026.07 |
| TOTAL NON-CURRENT LIABILITIES | | 29,250,000.00 | 1,413,026.07 |
| TOTAL LIABILITIES | | 1,473,219,454.87 | 945,511,935.29 |

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

RICH ASIA STEEL PUBLIC COMPANY LIMITED

BALANCE SHEETS

As of December 31, 2007 and 2006

| | 2007 | 2006 |
|---|-------------------------|-------------------------|
| | Baht | Baht |
| | | (Restated) |
| SHAREHOLDERS' EQUITY | | |
| Share Capital | (Note 21) | |
| Authorized Share Capital | | |
| 1,000,000,000 Ordinary Share @ 1.00 Baht | 1,000,000,000.00 | - |
| 500,000,000 Ordinary Share @ 1.00 Baht | - | 500,000,000.00 |
| Issued and Paid-up Share Capital | | |
| 500,000,000 Ordinary Share @ 1.00 Baht | 500,000,000.00 | 500,000,000.00 |
| Premiums on Share Capital | (Note 23) | |
| | 72,291,672.96 | 118,250,000.00 |
| Retained Earnings(Deficit) | | |
| Appropriated | | |
| Legal Reserve | (Note 23) | |
| | - | 4,585,125.00 |
| Unappropriated | | |
| | 29,625,939.23 | 121,225,046.63 |
| TOTAL SHAREHOLDERS' EQUITY | 601,917,612.19 | 744,060,171.63 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 2,075,137,067.06 | 1,689,572,106.92 |

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

RICH ASIA STEEL PUBLIC COMPANY LIMITED

INCOME STATEMENTS

For the Years ended on December 31, 2007 and 2006

| | 2007 | 2006 |
|--|-----------------------------|-------------------------|
| | Baht | Baht |
| | | (Restated) |
| REVENUES FROM OPERATION | | |
| Sales | 4,551,432,435.12 | 4,332,508,063.21 |
| Other Income | | |
| Interest Revenue | 15,483,281.14 | 6,932,490.67 |
| Other Revenue from Debt Repayment Receipt from | | |
| Management instead of Trading Account Receivable | (Note 8) 47,371,959.50 | - |
| Others | 22,087,839.53 | 7,494,955.28 |
| TOTAL REVENUES | 4,636,375,515.29 | 4,346,935,509.16 |
| EXPENSES FROM OPERATION | | |
| Cost of Goods Sold | 4,366,717,978.08 | 4,109,246,283.96 |
| Selling and Administrative Expenses | 102,388,365.11 | 81,632,672.37 |
| Doubtful Debt | (Note 8) 180,066,769.11 | - |
| Directors' Remuneration | (Note 24) 760,000.00 | 3,970,000.00 |
| TOTAL EXPENSES | 4,649,933,112.30 | 4,194,848,956.33 |
| PROFIT(LOSS) BEFORE INTEREST EXPENSES | | |
| AND CORPORATE INCOME TAX | -13,557,597.01 | 152,086,552.83 |
| INTEREST EXPENSES | -60,098,650.15 | -36,728,172.10 |
| CORPORATE INCOME TAX | (Note 25) -18,486,312.28 | -28,870,160.49 |
| NET PROFIT(LOSS) | -92,142,559.44 | 86,488,220.24 |
| | | |
| BASIC EARNINGS(LOSS) PER SHARE (BAHT) | -0.18 | 0.20 |
| ORDINARY SHARES (THOUSAND SHARES) | 500,000,000 | 435,342,465 |

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

RICH ASIA STEEL PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years ended on December 31, 2007 and 2006

| | | ISSUED AND | PREMIUMS | RETAINED EARNINGS(DEFICIT) | | TOTAL |
|--|-----------|-----------------------|-----------------------|----------------------------|-----------------------|-----------------------|
| | | PAID-UP SHARE | ON SHARE | APPROPRIATED | UNAPPROPRIATED | |
| | | CAPITAL | CAPITAL | LEGAL RESERVE | | |
| | | Baht | Baht | Baht | Baht | Baht |
| Balance as of December 31, 2006(Before Adjustment) | | 500,000,000.00 | 118,250,000.00 | 4,585,125.00 | 118,738,122.10 | 741,573,247.10 |
| Adjustment from Changing in the Accounting Policy | (Note 4) | - | - | - | 2,486,924.53 | 2,486,924.53 |
| Balance as of December 31, 2006 (After Adjustment) | | 500,000,000.00 | 118,250,000.00 | 4,585,125.00 | 121,225,046.63 | 744,060,171.63 |
| Dividend paid | (Note 22) | - | - | - | -50,000,000.00 | -50,000,000.00 |
| Legal reserves | (Note 22) | - | - | 4,082,000.00 | -4,082,000.00 | - |
| Transfer Premiums on Share Capital to Compensate | | | | | | |
| Accumulated loss | (Note 23) | - | -45,958,327.04 | - | 45,958,327.04 | - |
| Transfer Legal reserves to Compensate Accumulated loss | (Note 23) | - | - | -8,667,125.00 | 8,667,125.00 | - |
| Net profit(loss) for the period | | - | - | - | -92,142,559.44 | -92,142,559.44 |
| Balance as of December 31, 2007 | | 500,000,000.00 | 72,291,672.96 | - | 29,625,939.23 | 601,917,612.19 |
| Balance as of December 31, 2005 (Before Adjustment) | | 400,000,000.00 | - | - | 91,702,497.77 | 491,702,497.77 |
| Adjustment from Changing in the Accounting Policy | (Note 4) | - | - | - | -2,380,546.38 | -2,380,546.38 |
| Balance as of December 31, 2005 (After Adjustment) | | 400,000,000.00 | - | - | 89,321,951.39 | 489,321,951.39 |
| Increase capital | (Note 21) | 100,000,000.00 | 118,250,000.00 | - | - | 218,250,000.00 |
| Dividend paid | (Note 22) | - | - | - | -50,000,000.00 | -50,000,000.00 |
| Legal reserves | (Note 22) | - | - | 4,585,125.00 | -4,585,125.00 | - |
| Net profit(loss) for the period (Restated) | | - | - | - | 86,488,220.24 | 86,488,220.24 |
| Balance as of December 31, 2006 | | 500,000,000.00 | 118,250,000.00 | 4,585,125.00 | 121,225,046.63 | 744,060,171.63 |

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

RICH ASIA STEEL PUBLIC COMPANY LIMITED

CASH FLOW STATEMENTS

For the Years ended on December 31, 2007 and 2006

| | 2007 | 2006 |
|--|------------------------|------------------------|
| | Baht | Baht |
| | | (Restated) |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit(Loss) | -92,142,559.44 | 86,488,220.24 |
| Adjustments to Net Profit(loss) for Cash Provided (Used) from Operation: | | |
| Depreciation | 22,615,201.75 | 21,757,239.45 |
| Doubtful Debt | 180,066,769.11 | - |
| Interest Payment from Liabilities under Financial Lease Agreement | 411,919.00 | 935,285.69 |
| Loss from Fixed Assets Written Off | 74,333.73 | - |
| Amortisation of Intangible Asset | 199,999.89 | - |
| Loss from Unrealized of Investment in Trading Security | 11,503,628.00 | - |
| Gain from Sale of Investment in Property | -3,734,812.40 | - |
| Gain from Sale of Property, Plant and Equipment | -8,574.73 | - |
| Unrealized Loss on Exchange Rate | 262,971.78 | 1,381,498.21 |
| Loss from Declining in Value of Inventories (Reversal) | 860,109.25 | -11,415,864.65 |
| Profit from Operating Activities before Change in Operating Assets and Liabilities | 120,108,985.94 | 99,146,378.94 |
| (Increase) Decrease in Temporary Investment | -49,389,828.00 | - |
| (Increase) Decrease in Accounts and Notes Receivable-Other Companies | -454,915,324.48 | 142,750,331.69 |
| (Increase) Decrease in Accounts and Notes Receivable-Related Companies | 12,611,318.87 | 11,728,350.56 |
| (Increase) Decrease in Inventories | 33,046,195.42 | -122,874,903.98 |
| (Increase) Decrease in Advance Payment - Goods | 39,845,298.29 | -131,223,434.16 |
| (Increase) Decrease in Accounts Receivable - Revenue Department | -12,704,772.60 | - |
| (Increase) Decrease in Other Current Assets | 2,045,840.14 | -8,769,020.19 |
| Increase(Decrease) in Accounts and Notes Payable-Other Companies | 1,566,107.45 | -290,112,367.00 |
| Increase(Decrease) in Accounts and Notes Payable-Related Companies | 292,225.69 | -7,283,245.36 |
| Increase (Decrease) in Advance Receipt for Goods | - | -128,971,962.62 |
| Increase(Decrease) in Accrued Corporate Income Tax | 1,913,741.43 | -4,361,312.91 |
| Increase(Decrease) in Accounts Payable Revenue Department | -1,074,092.33 | -2,611,563.16 |
| Increase(Decrease) in Other Account Payable | 8,941,533.61 | 7,043,258.87 |
| Increase(Decrease) in Other Current Liabilities | 3,399,364.19 | -5,739,955.04 |
| Cash Provided(Used) from Operating Activities - Net | -294,313,406.38 | -441,279,444.36 |

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

RICH ASIA STEEL PUBLIC COMPANY LIMITED

CASH FLOW STATEMENTS

For the Years ended on December 31, 2007 and 2006

| | 2007 | 2006 |
|---|------------------------|-----------------------|
| | Baht | Baht |
| | | (Restated) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| (Increase) Decrease in Pledged Deposit at Financial Institution | -23,769,566.67 | -57,862,650.17 |
| (Increase) Decrease in Non Other Current Assets | -424,930.84 | -86,869.16 |
| (Increase) Decrease in Intangible Asset | - | -1,705,606.50 |
| Cash Received from Sale of Investment in Property | 18,547,248.00 | - |
| Cash Received from Sale of Property, Plant and Equipment | 11,401.87 | - |
| Cash Received from Deposit Receipt for Land | - | 10,000,000.00 |
| Cash Payment for Deposit for Purchased Land plus Property | -50,000,000.00 | - |
| Cash Payment for Purchased of Fixed Assets | -114,955,120.04 | -29,592,123.54 |
| Cash Provided(Used) from Investing Activities - Net | -170,590,967.68 | -79,247,249.37 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Increase (Decrease) in Short-Term Loans from Financial Institution | 458,936,262.04 | 350,800,980.73 |
| Increase (Decrease) in Short-Term Loans from Security Company | 24,768,189.89 | - |
| Increase (Decrease) in Long -Term Loans from Financial Institution | 38,250,000.00 | - |
| Increase (Decrease) in Liabilities under Financial Lease Agreement | -3,193,536.00 | -5,312,820.00 |
| Increase in Share Capital | - | 100,000,000.00 |
| Increase in Premiums on Share Capital | - | 118,250,000.00 |
| Dividend Paid | -50,000,000.00 | -50,000,000.00 |
| Cash Providend (Used) from Financing Activities - Net | 468,760,915.93 | 513,738,160.73 |
| CASH AND ITS EQUIVALENT INCREASE (DECREASE)-NET | 3,856,541.87 | -6,788,533.00 |
| CASH AND ITS EQUIVALENT ITEMS AT BEGINNING OF THE PERIOD | 28,516,067.81 | 35,304,600.81 |
| CASH AND ITS EQUIVALENT ITEMS AT ENDING OF THE PERIOD | 32,372,609.68 | 28,516,067.81 |
| Additional Disclosure of Cash Flow Data. | | |
| 1. Cash Payment During the Period : | | |
| - Interest Expenses | 59,807,412.69 | 39,911,050.06 |
| - Corporate Income Tax | 16,572,570.85 | 43,454,713.42 |
| 2. Cash and Its Equivalent Item, Consist of :- | | |
| - Cash | 75,454.66 | 136,693.75 |
| - Bank Deposit - Current Deposit | 22,988,706.20 | 19,655,817.21 |
| - Bank Deposit - Saving Deposit | 9,308,448.82 | 8,722,556.85 |
| - Bank Deposit - Fixed Deposit | - | 1,000.00 |
| Total | 32,372,609.68 | 28,516,067.81 |
| 3. Non-cash items which are not shown in cash flows statement | | |
| - For the year ended on December 31, 2007 the Company purchased fixed assets from other accounts payable in amount of Baht 8,232,832.83 | | |

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

RICH ASIA STEEL PUBLIC COMPANY LIMITED**NOTES TO FINANCIAL STATEMENTS****December 31, 2007 and 2006****1. Basis of Financial Statements**

- 1.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543, and in accordance with the determination of the office of the Securities and Exchange Commission on the subject of preparation and presentation of the financial reports.
- 1.2 The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.
- 1.3 In order to prepare the financial statement to comply with generally accepted accounting standards, the company's management had to make some estimates and suppositions which may have an effect on the amount shown for revenue, expenses, assets and liabilities and also on the disclosures concerning assets and contingent liabilities, therefore the actual result may differ the estimated amount.
- 1.4 For the convenience of the user, an English translation of the financial statements has been prepared from the financial statements that are issued in the Thai language.

2. Adoption of New Accounting Standards

During 2007, the Federation of Accounting Professions announced to apply the Thai Accounting Standards no. 51 "Intangible Assets" and to apply the following accounting standards instead of the former Thai Accounting Standards which have been revoked

TAS 25 (Revised 2007) "Cash flow statements"

TAS 29 (Revised 2007) "Leases"

TAS 31 (Revised 2007) "Inventories"

TAS 33 (Revised 2007) "Borrowing costs"

TAS 35 (Revised 2007) "Presentation of financial statements"

TAS 39 (Revised 2007) "Accounting policies, changes in accounting estimates and errors"

TAS 41 (Revised 2007) "Interim financial reporting"

TAS 43 (Revised 2007) "Business Combinations"

TAS 44 (Revised 2007) “Consolidated financial statements and separate financial statements”

TAS 45 (Revised 2007) “Investments in associates”

TAS 46 (Revised 2007) “Interests in joint ventures”

TAS 49 (Revised 2007) “Construction contracts”

The effective date for the revised TAS 44 “Consolidated and separate financial statements”, TAS 45 “Investments in associates” and TAS 46 “Interests in joint ventures” is for the accounting periods beginning on or after January 1, 2007 onward, For the remaining Thai Accounting Standards will be effective for the accounting periods beginning on or after January 1, 2008. However, the Management assessed that the revised standards shall not impact significantly to the financial statements being presented.

3. General Information

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

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

The Company operated the distribution of steel pipe and steel products. The Company constitutes data in respect of staff as follows:

| | <u>2007</u> | <u>2006</u> |
|---------------------------------------|-------------|-------------|
| Average Number of Employees (Persons) | 149 | 122 |
| Employee Expenses (Million Baht) | | |
| For the year ended on December 31, | 29.48 | 28.45 |

4. Changing in the Accounting Policy

In 2007, the Company had changed the Accounting Policy involve with valuation of inventories from valued at cost under FIFO method to valued at cost under MOVING AVERAGE method. The Company was approved by the Revenue Department on April 18, 2007. However, the Company have retroactive to the financial statement that was compared as same as in used MOVING AVERAGE method. This change has effected the increasing of inventories and retained earning as of December 31, 2006 by Baht 2.49 million (effect to retained earning beginning in year 2006 decreased in amount of Baht 2.38 million, effect to net profit for the year 2006 increased in amount of Baht 4.87 million : Baht 0.01 per share) The Cumulative effect of change in accounting policy has been presented under the heading of “Adjustment from changing in the Accounting Policy” in the statements of changes in shareholders’ equity.

5. Summary of Significant Accounting Policies

5.1 Recognition of revenues

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

5.2 Recognition of expenses

- Expenses are recognized on accrual basis.

5.3 Cash and cash equivalents

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

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

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

5.5 Temporary investment

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

5.6 Inventories

Inventories are valued at cost price under MOVING AVERAGE method or net realizable value, whichever is lower.

5.7 Investment in property

Investments in property are stated at the lower of cost or fair value.

5.8 Property, plant and equipment

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

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

The Company did not carry depreciation for asset being construction.

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

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

5.9 Intangible asset

Intangible Asset, type of computer software is valued at cost on the transaction date deducted accumulated amortization; amortization is calculated by reference to its cost on a straight line method over the 5 years useful lifes.

5.10 Impairment

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

Calculation of recoverable amount

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

Reversals of impairment

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.
- 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. All reversals of impairment losses are recognized as revenue in the statement of income.

5.11 Leased contract

The asset leased contract which holds the risk and remuneration of the major owner has been transferred to asset lesser will be regarded as financial leased contract. The financial leased contract is recorded as capital expenditure by fair value of leased asset or present value of the minimum amount that has to repay according to the leased contract whichever amount is lower. The amount which has to repay in each time will be divided as liability portion and financial expense so that fixed interest rate over outstanding accrued liability of obligation commitment according to the financial leased contract will be recorded as long term liability. Interest repayable will be recorded in the statement of income throughout the life of leased contract. Asset acquired by the financial leased contract will be depreciated according to the useful life by estimation of those assets.

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

5.12 Provisions

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

5.13 Employees benefit

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

5.14 Foreign currencies

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

5.15 Financial instruments

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

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

5.16 Earnings(loss) per share

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

5.17 The appropriation of retained earnings

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

6 Inter-Transactions

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

6.1 Inter – Sales and Expenses

| | Pricing policy | For the Year | |
|---|-------------------|-----------------------|-----------------------|
| | | Ended on December 31, | |
| | | 2007 Baht | 2006 Baht |
| <u>Inter - Sales</u> | | | |
| GENIUS TECH TRADING CO., LTD. | (1) | 157,345,302.80 | 167,943,111.79 |
| P.A.P EXIM CO., LTD. | (1) | 27,406,605.16 | 60,480,753.70 |
| CHAI SUPON CO., LTD. | (1) | 8,655,063.91 | 6,677,396.36 |
| MAHALAP METAL CO., LTD. | (1) | 13,457,797.14 | 16,187,205.54 |
| HARNSAWAT LTD. PART. | (1) | 2,055,318.52 | 2,665,158.59 |
| SIAM FERRO INDUSTRY CO., LTD. | (1) | 25,625.75 | - |
| G.T. STEEL WORKS CO., LTD. | (1) | 216,597.20 | - |
| Total | | <u>209,162,310.48</u> | <u>253,953,625.98</u> |
| <u>Inter – Other revenue from debt repayment</u> | | | |
| <u>Receipt from management instead of trading</u> | | | |
| <u>Account receivable</u> | | | |
| MISS ANGKAKARN TANTIVIROON | (2) | 47,371,959.50 | - |
| Total | | <u>47,371,959.50</u> | <u>-</u> |
| <u>Inter – Interest Revenue</u> | | | |
| MISS ANGKAKARN TANTIVIROON | (2,3) | 6,628,040.50 | - |
| Total | | <u>6,628,040.50</u> | <u>-</u> |

| | Pricing policy | For the Year | |
|--|-------------------|-----------------------|---------------|
| | | Ended on December 31, | |
| | | 2007 Baht | 2006 Baht |
| <u>Inter – Transportation Revenue</u> | | | |
| SIAM FERRO INDUSTRY CO., LTD. | (4) | 1,000.00 | - |
| G.T. STEEL WORKS CO., LTD. | (4) | 8,000.00 | - |
| Total | | 9,000.00 | - |
| <u>Other Income</u> | | | |
| SIAM FERRO INDUSTRY CO., LTD. | (5) | 6,975.89 | 6,048.23 |
| Total | | 6,975.89 | 6,048.23 |
| <u>Inter – Purchases</u> | | | |
| SIAM FERRO INDUSTRY CO., LTD. | (1) | 27,880.00 | 546,220.00 |
| G.T. STEEL WORKS CO., LTD. | (1) | - | 65,250.00 |
| GENIUS TECH TRADING CO., LTD. | (1) | 21,033,294.40 | 53,084.11 |
| Total | | 21,061,174.40 | 664,554.11 |
| <u>Inter – Subcontract</u> | | | |
| SIAM FERRO INDUSTRY CO., LTD. | (4) | 22,389,155.90 | 37,615,597.25 |
| Total | | 22,389,155.90 | 37,615,597.25 |
| <u>Inter – Directors’ Remuneration</u> | | | |
| DIRECTORS | (6) | 760,000.00 | 3,970,000.00 |
| Total | | 760,000.00 | 3,970,000.00 |
| <u>Inter – Other Expenses</u> | | | |
| SIAM FERRO INDUSTRY CO., LTD. | (5) | 5,034,670.55 | 10,412,260.09 |
| A.T. STEEL CO., LTD. | (5) | 1,187,315.29 | 1,170,763.04 |
| G.T. STEEL WORKS CO., LTD. | (5) | 981,043.46 | 715,001.53 |
| GENIUS TECH TRADING CO., LTD. | (5) | 362,347.87 | 12,757.01 |
| Total | | 7,565,377.17 | 12,310,781.67 |
| <u>Inter – Assets Acquisition</u> | | | |
| TEAM VIS CONSTRUCTION CO., LTD. | (5) | 791,586.00 | 6,270,440.96 |
| SIAM FERRO INDUSTRY CO., LTD. | (5) | - | 1,000.00 |
| GENIUS TECH TRADING CO., LTD. | (5) | - | 150,074.77 |
| G.T. STEEL WORKS CO., LTD. | (5) | - | 281,761.68 |
| Total | | 791,586.00 | 6,703,277.41 |

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

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

6.2 Inter – Assets and Liabilities

| | As of December 31, 2007 Baht | As of December 31, 2006 Baht |
|--|------------------------------------|------------------------------------|
| <u>Inter – Accounts and Notes Receivable</u> | | |
| P.A.P EXIM CO., LTD. | - | 1,614,963.64 |
| G.T. STEEL WORKS CO., LTD. | 24,375.00 | - |
| MAHALAP METAL CO., LTD. | 88,140.69 | - |
| SIAM FERRO INDUSTRY CO., LTD. | 1,140.00 | - |
| HARNSAWAT LTD. PART. | 39,632.00 | - |
| CHAI SUPON CO., LTD. | - | 391,608.06 |
| GENIUS TECH TRADING CO., LTD. | - | 10,757,998.86 |
| THANASUB PAISARN CO., LTD. | 9,904,647.18 | 9,904,647.18 |
| Total | 10,057,898.87 | 22,669,217.74 |
| <u>Less</u> Allowance for Doubtful Debt - THANASUB PAISARN CO., LTD. | (9,904,647.18) | (9,904,647.18) |
| Net | 153,251.69 | 12,764,570.56 |
| <u>Inter – Accounts and Notes Payable</u> | | |
| SIAM FERRO INDUSTRY CO., LTD. | 926,590.40 | 437,766.71 |
| GENIUS TECH TRADING CO., LTD. | 35,891.00 | 133,300.00 |
| G.T. STEEL WORKS CO., LTD. | - | 99,189.00 |
| Total | 962,481.40 | 670,255.71 |
| <u>Inter - Accrued Expenses</u> | | |
| SIAM FERRO INDUSTRY CO., LTD. | 185,705.74 | - |
| A.T. STEEL CO., LTD. | - | 655.71 |
| GENIUS TECH TRADING CO., LTD. | 97,156.00 | - |
| G.T. STEEL WORKS CO., LTD. | 161,998.00 | - |
| Total | 444,859.74 | 655.71 |

6.3 The Company's Relationship

Consist of:

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

7 Temporary Investment

| | As of December 31, 2007 Baht | As of December 31, 2006 Baht |
|---|------------------------------------|------------------------------------|
| Investment of Trading Security – Cost Value | 49,389,828.00 | - |
| <u>Less Unrealized Loss in Investment of Trading Security</u> | <u>(11,503,628.00)</u> | <u>-</u> |
| Investment of Trading Security – Fair Value | <u>37,886,200.00</u> | <u>-</u> |

8 Accounts and Notes Receivable Other Companies - Net

An aging analysis of accounts receivable other companies as of December 31, 2007 and 2006 are as follows:

| | As of December 31, 2007 Baht | As of December 31, 2006 Baht |
|--|------------------------------------|------------------------------------|
| Notes Receivable | 539,952,579.47 | 175,822,799.60 |
| Account Receivable | | |
| Within credit term | 239,727,887.23 | 258,716,502.80 |
| Over due 1 to 30 days | 95,641,505.16 | 162,856,496.51 |
| Over due 31 to 60 days | 6,086,060.05 | 9,162,822.63 |
| Over due over 91 days | 180,065,914.11 | - |
| Total | <u>1,061,473,946.02</u> | <u>606,558,621.54</u> |
| <u>Less</u> Allowance of Doubtful – Account Receivable | <u>(180,066,769.11)</u> | <u>-</u> |
| Net | <u><u>881,407,176.91</u></u> | <u><u>606,558,621.54</u></u> |

As of December 31, 2007 trade account receivable over due over 91 days in amount of Baht 180.07 million, was trade account receivable with inability to call for debt repayment in February 2007. The Company has recorded of allowance of doubtful debt in whole amount. However, The Chief Executive Officer has expressed responsibility to compensate damage to the Company because of the board of directors approved the credit line of selling to such trade account receivable, while there is the term of installment to the Company as installment until the Company will receive repayment in full amount plus interest in the rate of 8% per annum which is equivalent to interest receivable throughout the period of installment in total amount of Baht 17.76 millions. It is repayable in number of 28 installment for the first installment in amount of Baht 18.0 millions, for the 2nd – 27th installment in amount of Baht 6.0 millions per installment, for the 28th installment, the whole remaining balance is repayable. However, if during the period of installment, the Company can follow-up debt returned from account receivable by any amount, the followed up amount is taken to deduct from the final installment balance. The Company still holds the right in the follow-up procedure and proceeds with the prosecution against such trading account receivable until it will completely receive the money which comply with the minute of the board of directors meeting no. 3/2007 held on April 24, 2007. The Company will record to recognize the amount received in each installment debt repayment from the Chief Executive Officer as other revenue under the caption of

“other revenue from debt repayment receipt from management instead of trading account receivable.” For the year ended on December 31, 2007. The Company received principal debt repayment and interest in amount of Baht 47.37 millions and in amount of Baht 6.63 millions respectively.

As of December 31, 2007 and 2006, the Company factored some posted dates cheques receivable in amount of Baht 77.73 millions and Baht 87.69 millions to pledge against loan due to merchant bank.

9 Accounts and Notes Receivable Related Companies - Net

An aging analysis of accounts receivable related companies as of December 31, 2007 and 2006 are as follows:

| | As of December 31, 2007 Baht | As of December 31, 2006 Baht |
|---|------------------------------------|------------------------------------|
| Notes Receivable | 39,632.00 | 4,452,312.75 |
| Account Receivable | | |
| Within credit term | 113,619.69 | 8,145,139.81 |
| Over due 1 to 30 days | - | 167,118.00 |
| Over due over 91 days | 9,904,647.18 | 9,904,647.18 |
| Total | <u>10,057,898.87</u> | <u>22,669,217.74</u> |
| <u>Less</u> Allowance for Doubtful Debt | <u>(9,904,647.18)</u> | <u>(9,904,647.18)</u> |
| Net | <u><u>153,251.69</u></u> | <u><u>12,764,570.56</u></u> |

10 Inventories - Net

Consist of:

| | As of December 31, 2007 Baht | As of December 31, 2006 Baht |
|--|------------------------------------|------------------------------------|
| Finished Goods | 251,442,434.82 | 217,086,675.87 |
| Raw Materials | 103,617,290.20 | 108,576,589.09 |
| Goods-in-Transit | 86,586,919.81 | 149,950,406.78 |
| Spare Part | 950,839.48 | 30,007.99 |
| Total | 442,597,484.31 | 475,643,679.73 |
| <u>Less</u> Allowance from Declining in Value of Goods | (1,484,657.39) | (624,548.14) |
| Net | 441,112,826.92 | 475,019,131.59 |

11 Pledged Deposit at Financial Institution

As of December 31, 2007 and 2006, the whole amount is bank deposit in type of saving account which is taken to pledge against trust receipt payable and loan in form of promissory note at the merchant bank.

12 Investment in Property

As of December 31, 2007 and 2006, Investment in the land apart of one piece of land in cost price of Baht 6.74 millions. The Company has been taken to pledge so as to be collateral of loan due to the bank in the pledged amount of Baht 10.0 millions.

As of September 5, 2005, the Company performed the contract of purchase and sell partly in number of 6 pieces in cost price of Baht 29.81 millions. There is price according to the contract of land purchase and sell in amount of Baht 35.0 millions, the purchaser has repaid deposit in amount of Baht 5.0 millions while the rest of Baht 30.0 millions is agreed to be posted date cheques in 5 versions to the Company with the detail as follows:

- Version no. 1 In amount of Bath 5.0 million is cheque date on March 5, 2006.
- Version no. 2 In amount of Bath 5.0 million is cheque date on August 5, 2006.
- Version no. 3 In amount of Bath 5.0 million is cheque date on January 5, 2007.
- Version no. 4 In amount of Bath 5.0 million is cheque date on June 5, 2007.
- Version no. 5 In amount of Bath 10.0 million is cheque date on December 30, 2007.

However, on July 10, 2007, the Company received repayment for the outstanding cheques in amount of Baht 10.0 millions and the Company has transferred land ownership to purchaser since August 31, 2007.

13 Property, Plant and Equipment – Net

Consist of:

| | Balance As of December 31, 2006 Baht | Increase/ Transfer in Baht | Sale/ Transfer out Baht | Balance As of December 31, 2007 Baht |
|---------------------------------|--|----------------------------------|-------------------------------|--|
| Cost : | | | | |
| Land | 48,580,440.00 | 17,423,000.00 | - | 66,003,440.00 |
| Building | 31,873,063.10 | 75,615,743.92 | - | 107,488,807.02 |
| Building & Construction | 1,884,141.98 | - | - | 1,884,141.98 |
| Improvement office building | 579,020.85 | - | - | 579,020.85 |
| Machinery | 67,991,097.45 | 2,008,075.16 | - | 69,999,172.61 |
| Furniture and Equipment | 5,165,274.77 | 4,984,550.24 | (74,333.73) | 10,075,491.28 |
| Equipment | 7,283,418.67 | 1,811,872.58 | - | 9,095,291.25 |
| Vehicle | 24,409,613.21 | 1,991,168.21 | (68,785.05) | 26,331,996.37 |
| Building in progress | 58,327,765.37 | 21,603,489.21 | (75,413,382.95) | 4,517,871.63 |
| Machinery in progress | 1,742,400.00 | 75,330,886.50 | (2,167,450.00) | 74,905,836.50 |
| Total | 247,836,235.40 | 200,768,785.82 | (77,723,951.73) | 370,881,069.49 |
| Accumulated Depreciation: | | | | |
| Building | (7,139,212.08) | (2,951,629.81) | - | (10,090,841.89) |
| Building & Construction | (207,234.42) | (94,206.82) | - | (301,441.24) |
| Improvement office building | (58,695.26) | (115,803.35) | - | (174,498.61) |
| Machinery | (28,853,556.59) | (11,714,934.90) | - | (40,568,491.49) |
| Furniture and Equipment | (1,577,524.93) | (1,458,013.67) | - | (3,035,538.60) |
| Equipment | (2,025,620.56) | (1,594,455.93) | - | (3,620,076.49) |
| Vehicle | (15,094,272.83) | (4,686,157.27) | 65,957.91 | (19,714,472.19) |
| Total | (54,956,116.67) | (22,615,201.75) | 65,957.91 | (77,505,360.51) |
| Allowance for Impairment - Land | (15,672,815.00) | - | - | (15,672,815.00) |
| Net | 177,207,303.73 | | | 277,702,893.98 |
| Depreciation for the year | | | | |
| Ended on December 31, 2007 | | | | 22,615,201.75 |
| Ended on December 31, 2006 | | | | 21,757,239.45 |

As of December 31, 2007 and 2006, the Company mortgaged land plus property as to be collateral of short – term loans from the financial institute.

As of December 31, 2007 and 2006, the Company had assets with the depreciation fully calculated but still operate which had a cost value of Baht 14.52 million and Baht 1.08 million respectively. The net book value of which was now Baht 66.00 and Baht 16.00 respectively.

14 Intangible Asset - Net

Consist of:

| | Balance As of December 31, 2006 Baht | Increase/ Transfer in Baht | Sale/ Transfer out Baht | Balance As of December 31, 2007 Baht |
|---|--|----------------------------------|-------------------------------|--|
| Cost : | | | | |
| Computer Software | 1,705,606.50 | - | - | 1,705,606.50 |
| Total | 1,705,606.50 | - | - | 1,705,606.50 |
| Accumulated Amortization | | | | |
| Computer Software | - | (199,999.89) | - | (199,999.89) |
| Total | - | (199,999.89) | - | (199,999.89) |
| Net | 1,705,606.50 | | | 1,505,606.61 |
| Amortization expense for the year Ended on December 31, 2007 | | | | 199,999.89 |

15 Deposit Paid for Land

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

16 Credit Facilities and Guarantee

The Company has credit line from commercial bank and financial institution in form overdraft, trust receipts, short-term loan, note receivable discount by granted the total credit line as of December 31, 2007 in amount of Baht 1,361.00 million, US Dollars 5.37 million and as of December 31, 2006 in amount of Baht 866.80 million. It is pledged by the Company's mortgage register of land plus property in Note 12 and 13 land plus property of a director, the Company bank deposit, post dated cheque of a company and guaranteed director.

17 Short-Term Loans from Financial Institutions

Consists of:

| | As of December 31, 2007 Baht | As of December 31, 2006 Baht |
|-----------------|------------------------------------|------------------------------------|
| Trust Receipts | 741,127,287.11 | 497,191,025.07 |
| Promissory Note | 446,000,000.00 | 231,000,000.00 |
| Total | 1,187,127,287.11 | 728,191,025.07 |

As of December 31, 2007 and 2006, trust receipt payable is carried by interest rates of 5.25 – 5.50% per annum and 4.75 – 7.50% per annum respectively. The ownership of merchandise purchased from the contract performance of trust receipt is still belonged to the merchant bank until there will be repayment of trust receipt account payable to the merchant bank.

As of December 31, 2007 and 2006, the whole amount of short term loan from the financial institutes is borrowing in form of promissory note, carried interest rate of 5.10 – 6.86% and 4.75 – 7.50% per annum respectively.

Loan due to above finance institute is guaranteed by mortgaging the Company's land plus property, machinery and equipment. The director's land plus property and the Company bank deposit, post dated cheque and guaranteed by director.

18 Short – Term Loans from Security Company

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

19 Liabilities under Financial Lease Agreement – Net

Consist of:

| | As of December 31, 2007 Baht | As of December 31, 2006 Baht |
|---|------------------------------------|------------------------------------|
| Liabilities under Financial Lease Agreement | 1,462,524.00 | 4,656,060.00 |
| <u>Less</u> Interest Payment from Financial Lease Agreement | (49,497.93) | (461,416.93) |
| Current Portion of Financial Lease Agreement | (1,413,026.07) | (2,781,617.00) |
| Net | <u>-</u> | <u>1,413,026.07</u> |

As of December 31, 2007 and 2006, the Company comprises asset under the financial leased contract in type of vehicle and machinery. There is net book value by amount of Baht 3.25 millions and Baht 9.05 millions respectively. The Company will receive ownership in such asset when the Company completely repays debt to creditors in accordance with the financial leased contract.

20 Long Term Loans from Financial Institutions – Net

Consist of:

| | As of December 31, 2007 Baht | As of December 31, 2006 Baht |
|---|------------------------------------|------------------------------------|
| Long Term Loans from Financial Institutions | 38,250,000.00 | - |
| <u>Less</u> Current Portion | (9,000,000.00) | - |
| Net | <u>29,250,000.00</u> | <u>-</u> |

As of December 31, 2007, the loan credit line of Baht 45.0 millions is loan due to one finance institute which the principle is monthly repayable in number 60 installments each of which is Baht 0.75 millions. The first installment is repayable on May 31, 2007. Interest is monthly repayable. Interest is carried in the rate of MLR which during this contract performance, interest rate is 7.00% per annum.

The Company mortgaged land plus property of the Company according to note no. 13 and the Company director is guarantor.

21 Share Capital

In accordance with the minute of the Annual General Shareholders' Meeting for the year 2006 which held on March 14, 2006, it is unanimously resolved that the Company approved to increase its registered capital to Baht 100.0 million to Baht 500.0 million, by issuing 100,000,000 new common shares at 1 Baht par value to be offered to the public. In addition, the par value of its common shares was also changed from 100 to 1 Baht per share. The capital increase was already registered at The Ministry of Commerce on March 27, 2006.

As of August 30, 2006, the Company sold increase common shares to the public by issuing 100,000,000 new common shares at Baht 2.25 per share totaling amount Baht 225.0 million. There are premium on share capital amount Baht 118.25 million (Net from underwriting expense amount Baht 6.75 million)

In accordance with the minute of the board of directors meeting no. 8/2007 held on October 24, 2007 and minute of extra-ordinary shareholders meeting no. 1/2007 held on December 14, 2007, they are unanimously resolved that registered capital is increased by another 500 millions shares to 1,000 millions shares. New ordinary shares are issued by number of 500 millions shares in par value of Baht1.00 per share so as to offer to former shareholders in the ratio of one former share over one new share in the price of Baht2 per share. There is the purpose in order to repay short term loan to the finance institute approximately Baht 300 millions. The remaining balance is used as working capital of the Company so as to reserve for business growth in the future. The Company will close the registered book to hold the shares transfer for rights in the increased capital shares subscription on February 14, 2008. The Company has already registered the increased share capital at the Ministry of Commerce on December 27, 2007.

22 Dividend Payment and Legal Reserve

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

In accordance with the minute of Annual General Shareholders' Meeting for the year 2006 which held on March 14, 2006, it is unanimously resolved that the Company appropriates net profit for 2005 as dividend to shareholders in number of 4.0 million shares in the rate of Baht 12.50 per share aggregating to amount of Baht 50.0 million and resolved to appropriate legal reserved amount of Baht 4.58 million while it is repayable on March 15, 2006, whereby the Company has already paid dividend.

23 The Compensation of Accumulated Loss

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

24 Directors' Remuneration

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

25 Corporate Income Tax

The company calculated the income tax at the rate of 30% of net profit after making adjustment transactions in accordance with the Revenue Code which is mainly allowance for doubtful accounts transaction and allowance for declining in value of inventories.

26 Provident Fund

The Company has been established the provident fund which is managed by external fund manager, that staff and the company has to contribute to the fund at the rate of 2 percent of basic salary according with the funds regulation. This fund is managed by a Financial Institution as a fund manager. The company has payment the provident fund for the year ended on December 31, 2007 and 2006 in amount of Baht 0.22 million and Baht 0.13 million.

27 Presentation of Financial Data Segregated by Business Sector

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

28 Obligations and Contingent Liabilities

28.1 Apart from liabilities shown on the balance sheets as of December 31, 2007 and 2006, the Company still remains other obligations and contingent liabilities with commercial banks as follows :

| | As of December 31, 2007 | As of December 31,2006 |
|--|----------------------------|---------------------------|
| | <u>Million Baht</u> | <u>Million Baht</u> |
| - Letters of Credit | | |
| Credit Line 600.0 Million, Credit Unused | 64.31 | 207.23 |
| - Letters of Guarantee | 2.79 | 0.80 |

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

- The contract of land lease with other persons. The contract is carried the life of 3 years ended on May 31, 2008. The leased fee is in the rate of Baht 100,000.- per month.
- The contract of sublet of building area with one other company. The contract is carried the life of 3 years ended on May 31, 2009. The leased fee and service fee is in the rate of Baht 112,200. - per month.
- The contract of sublet of building area with one other company. The contract holds the life of 3 years ended on March 31, 2009. The leased fee and service fee are in the rate of Baht 54,400. - per month.

- The contract of truck lease of 5 vehicles with one other company. The contract holds the life of one year. The leased fee is in the rate of Baht 126,000.- per month.

As of December 31, 2007 and 2006, the Company holds the total leased fee amount which has to completely repay in amount of Baht 7.30 millions and Baht 8.87 millions respectively.

- 28.3 The Company comprises obligation commitment according to the contract of labour engagement to produce steel with one related company. The contract holds the life of one year ended on August 31, 2008. It is determined that the life is automatically renewed for the period of 1 year. The engagement fee is in the rate of Baht 350,000.- per month. As of December 31, 2007 and 2006, the Company holds the total engagement fee which has to fully repay until the contract is complete in amount of Baht 2.80 millions and Baht 2.40 millions respectively.

29 Financial Instruments

29.1 Policy to manage financial risks

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

29.2 Risk on interest rates

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

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

| | Amount | | interest rate per annum | |
|--|-------------------|-------------------|-------------------------|-------------------|
| | December 31, 2007 | December 31, 2006 | December 31, 2007 | December 31, 2006 |
| | Million Baht | Million Baht | % | % |
| Cash in Bank | 9.31 | 8.72 | 0.50 | 0.50 |
| Saving | 230.77 | 207.00 | 2.25-3.75 | 4.50-5.50 |
| Current | 741.13 | 497.19 | 5.25-5.50 | 4.75-7.50 |
| Trust Receipts Payable | | | | |
| Short-Term Loans from Financial Institution | 446.00 | 231.00 | 5.10-6.86 | 4.75-7.50 |
| Short-Term Loans from Security Company | 24.77 | - | 6.75 | - |
| Long-Term Loans from Financial Institution | 38.25 | - | 6.85-7.50 | - |

29.3 Risk on exchange rates

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

As of December 31, 2007 and 2006, the Company has foreign currency liabilities that were not hedged by derivative financial instruments were as follows:

| Currencies | Financial Liabilities | |
|------------|-----------------------|-------------------|
| | As of | As of |
| | December 31, 2007 | December 31, 2006 |
| US Dollars | 2,563,077.81 | 3,088,000.00 |

29.4 Credit risk

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

29.5 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.

30 Approval of the Financial Statement

These financial statements have been approved by the Company's Board of directors on
February 28, 2008
