

## **REPORT OF THE INDEPENDENT AUDITOR**

To the Shareholders of Sahamitr Pressure Container Public Company Limited

I have audited the balances sheets of Sahamitr Pressure Container Public Company Limited as at 31 December 2008 and 2007, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the 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 audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sahamitr Pressure Container Public Company Limited as at 31 December 2008 and 2007, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Without changing my opinion, I draw attention to the following :

1. I have previously issued the audit report dated 22 February 2008, with a disclaimer of opinion on the Company's financial statements for the year ended 31 December 2007 because of the significance of uncertainty on the Company's going - concern. However, the Company has complied with the conditions of the debt restructuring agreements with bank. In addition, the Company has improved its operating results significantly. The doubt about its going concern is no longer a questionable matter. Accordingly, my present opinion on the 2007 financial statements, as presented for comparative purpose, is therefore changed.

2. As discussed in Note 1 to the financial statements, the related company's creditors filed court cases against it demanding for loan repayments totalling approximately Baht 1,797 million. Such liabilities are guaranteed by the Company and Company's directors. Of the total amount, the Company is responsible for the guarantee of such related company's loan of approximately Baht 1,350 million. The Company took up its damage from guarantee obligation (including the losses on non – collection of advances to directors who jointly guarantee the related company's loans) in the financial statements since the year 2003. However, on 27 June 2008, the Company and the related company entered into a debts restructuring agreement with a credit bank to restructure the repayment terms and the reduction of debts with conditions for the Company and associated company to fully comply with. In addition, on 24 September 2008, the Company was successful in the negotiation with the related company and the credit bank to restructure the guaranteed loans repayments, whereby the related company transferred the assets as indicated in the amended debt restructure agreements to repay the principle amount of debts of Baht 312.1 million to the bank. The Company, therefore made adjustment to reduce its liabilities under the guarantee obligation, and reversed the allowance for doubtful accounts of Baht 312.1 million to recognise as “other income” in the statement of income for year ended 31 December 2008 and made adjustment to reduce receivables – directors under guarantee obligation, receivable under obligation and allowance for doubtful accounts. In addition, on 24 October 2008, the Company entered into the new borrowing agreement with the bank to obtain long-term loan of Baht 437.9 million for the settlement of loan under of its guarantee obligation. This loan is repayable quarterly. The Company also increased its share capital for the payment of the obligation of Baht 26.67 million on 19 December 2008. Under the loan restructuring agreement, the Company will get the waiver for the repayment of the balance of the guarantee obligation of Baht 464.8 million, after it has complied with the agreement within 13 months and after the transfer of the right of assets of associated company to the buyer.

**Mr. Somckid Tiatragul**

Certified Public Accountant

Registration No. 2785

Bangkok, Thailand

26 February 2009

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

BALANCE SHEETS

AS AT 31 DECEMBER 2008 AND 2007

ASSETS

|                                              |       | Thousand Baht    |                |
|----------------------------------------------|-------|------------------|----------------|
|                                              | Notes | 2008             | 2007           |
| <b>CURRENT ASSETS</b>                        |       |                  |                |
| Cash and deposits with banks                 | 6     | 6,072            | 6,773          |
| Trade accounts and notes receivable - net    | 7     | 291,066          | 91,225         |
| Inventories - net                            | 8     | 247,240          | 186,589        |
| Accrued interest income - related company    | 5     | -                | 1,853          |
| Refundable value - added tax                 |       | 42,753           | 28,018         |
| Refundable import duty                       | 9     | 5,651            | 8,436          |
| Other current assets                         |       | 13,953           | 11,194         |
| <b>Total Current Assets</b>                  |       | <b>606,735</b>   | <b>334,088</b> |
| <b>NON - CURRENT ASSETS</b>                  |       |                  |                |
| Receivable from and loans to related parties |       |                  |                |
| under guarantee obligation - net             | 5     | -                | -              |
| Restricted deposits with banks               | 10    | 14,038           | 13,918         |
| Property, plant and equipment - net          | 11    | 426,662          | 422,065        |
| Computer software - net                      | 12    | 4,398            | 7,330          |
| Assets not used in operations - net          | 13    | 28,610           | 28,610         |
| Other non - current assets                   |       | 2,281            | 2,227          |
| <b>Total Non - Current Assets</b>            |       | <b>475,989</b>   | <b>474,150</b> |
| <b>TOTAL ASSETS</b>                          |       | <b>1,082,724</b> | <b>808,238</b> |

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

**SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED**

**BALANCE SHEETS**

**AS AT 31 DECEMBER 2008 AND 2007**

**LIABILITIES AND CAPITAL DEFICIENCY**

|                                                                            | Notes | Thousand Baht    |                  |
|----------------------------------------------------------------------------|-------|------------------|------------------|
|                                                                            |       | 2008             | 2007             |
| <b>CURRENT LIABILITIES</b>                                                 |       |                  |                  |
| Bank overdraft and loan from bank                                          | 14    | 385,091          | 238,570          |
| Trade accounts payable                                                     |       | 187,560          | 153,353          |
| Amounts due to related company                                             | 5     | 2,444            | -                |
| Short - term loan from directors                                           | 5     | -                | 43,700           |
| Current portion of                                                         |       |                  |                  |
| - Long - term loans under debt restructuring agreements                    | 15    | 56,805           | 50,898           |
| - Liabilities from the guarantee obligation of related company's debts     | 5     | 464,796          | 58,234           |
| - Liabilities under financial leases                                       | 16    | 1,468            | 900              |
| Advances received from customers                                           |       | 26,504           | 1,811            |
| Accrued commission expenses                                                |       | 2,707            | 8,172            |
| Accrued transportation expenses                                            |       | 28,078           | 29,653           |
| Accrued income tax                                                         | 20    | 37,041           | -                |
| Other accrued expenses                                                     |       | 18,500           | 16,467           |
| Other current liabilities                                                  |       | 2,895            | 4,122            |
| <b>Total Current Liabilities</b>                                           |       | <b>1,213,889</b> | <b>605,880</b>   |
| <b>NON - CURRENT LIABILITIES</b>                                           |       |                  |                  |
| Long - term loans under debt restructuring agreements - net                | 15    | 385,841          | 38,647           |
| Liabilities from the guarantee obligation of related company's debts - net | 5     | -                | 1,188,986        |
| Liabilities under financial leases - net                                   | 16    | 1,843            | 294              |
| <b>Total Non - Current Liabilities</b>                                     |       | <b>387,684</b>   | <b>1,227,927</b> |
| <b>Total Liabilities</b>                                                   |       | <b>1,601,573</b> | <b>1,833,807</b> |

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

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

BALANCE SHEETS

AS AT 31 DECEMBER 2008 AND 2007

LIABILITIES AND CAPITAL DEFICIENCY (CONTINUE)

|                                                                              | Notes | Thousand Baht    |                    |
|------------------------------------------------------------------------------|-------|------------------|--------------------|
|                                                                              |       | 2008             | 2007               |
| <b>CAPITAL DEFICIENCY</b>                                                    |       |                  |                    |
| Share capital - common share, Baht 10 par value                              |       |                  |                    |
| Authorized - 26,666,666 shares (2007 : 24,000,000 shares)                    |       |                  |                    |
| Issued and fully paid - up - 26,666,666 shares<br>(2007 : 24,000,000 shares) | 17    | 266,667          | 240,000            |
| Premium on share capital                                                     |       | 50,000           | 50,000             |
| Revaluation increment in land not used in operations                         |       | 159              | 159                |
| Retained earnings (Deficit)                                                  |       |                  |                    |
| - Appropriated for legal reserve                                             | 18    | 983              | 983                |
| - Deficit                                                                    |       | (836,658)        | (1,316,711)        |
| <b>Capital Deficiency</b>                                                    |       | <b>(518,849)</b> | <b>(1,025,569)</b> |
| <b>TOTAL LIABILITIES NET OF CAPITAL DEFICIENCY</b>                           |       | <b>1,082,724</b> | <b>808,238</b>     |

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

STATEMENTS OF INCOME

FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

|                                                                       | Notes  | Thousand Baht |             |
|-----------------------------------------------------------------------|--------|---------------|-------------|
|                                                                       |        | 2008          | 2007        |
| <b>REVENUES</b>                                                       | 21     |               |             |
| Net sales                                                             |        | 2,787,767     | 1,717,658   |
| <b>COST OF SALES</b>                                                  | 21, 22 |               |             |
| Cost of sales                                                         |        | (2,225,363)   | (1,426,679) |
| Gross profit                                                          |        | 562,404       | 290,979     |
| Selling and administrative expenses                                   | 22     | (327,804)     | (264,029)   |
| Directors remuneration                                                | 23     | (60)          | (120)       |
| <b>Income from Sales</b>                                              |        | 234,540       | 26,830      |
| Other income                                                          | 19     | 47,117        | 14,866      |
| Reversal of allowance for liabilities under<br>guarantee obligation   | 5      | 312,100       | -           |
| Loss from downward adjustment of inventories<br>to replacement values | 8      | (37,268)      | -           |
| <b>Income Before Interest Expense and and Income Tax</b>              |        | 556,489       | 41,696      |
| Interest expense                                                      |        | (29,509)      | (25,484)    |
| Income tax                                                            | 20     | (46,927)      | -           |
| <b>NET INCOME FOR THE YEAR</b>                                        |        | 480,053       | 16,212      |
| <b>Basic Earnings per share</b>                                       |        |               |             |
| Net income (Baht per shares)                                          |        | 19.92         | 0.68        |
| Weighted average number of shares (share)                             |        | 24,102,004    | 24,000,000  |

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED  
 STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
 FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

|                                         |      | Thousand Baht                               |                                |                                                                |                                                                                  |                    |                    |
|-----------------------------------------|------|---------------------------------------------|--------------------------------|----------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------|--------------------|
|                                         | Note | Share Capital<br>- Issued and<br>Fully Paid | Premium<br>on Share<br>Capital | Revaluation<br>Increment for<br>Land Not Used<br>in Operations | Retained Earnings (deficit)<br>Appropriated<br>for Legal<br>Reserve      Deficit |                    | Total              |
| <b>Balance as at 1 January 2007</b>     |      | 240,000                                     | 50,000                         | 159                                                            | 983                                                                              | (1,332,923)        | (1,041,781)        |
| Net income for the year                 |      | -                                           | -                              | -                                                              | -                                                                                | 16,212             | 16,212             |
| <b>Balance as at 31 December 2007</b>   |      | <u>240,000</u>                              | <u>50,000</u>                  | <u>159</u>                                                     | <u>983</u>                                                                       | <u>(1,316,711)</u> | <u>(1,025,569)</u> |
| <b>Balance as at 1 January 2008</b>     |      | 240,000                                     | 50,000                         | 159                                                            | 983                                                                              | (1,316,711)        | (1,025,569)        |
| Increased share capital during the year | 17   | 26,667                                      | -                              | -                                                              | -                                                                                | -                  | 26,667             |
| Net income for the year                 |      | -                                           | -                              | -                                                              | -                                                                                | 480,053            | 480,053            |
| <b>Balance as at 31 December 2008</b>   |      | <u>266,667</u>                              | <u>50,000</u>                  | <u>159</u>                                                     | <u>983</u>                                                                       | <u>(836,658)</u>   | <u>(518,849)</u>   |

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

**SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007**

|                                                                                                      | <b>Thousand Baht</b> |             |
|------------------------------------------------------------------------------------------------------|----------------------|-------------|
|                                                                                                      | <b>2008</b>          | <b>2007</b> |
| <b>Cash Flows from Operating Activities</b>                                                          |                      |             |
| Income before income tax                                                                             | 526,980              | 16,212      |
| <b>Adjustments to reconcile net income to net cash provided from (used in) operating activities:</b> |                      |             |
| Allowance for doubtful accounts                                                                      | -                    | 2,814       |
| Depreciation and amortisation                                                                        | 31,378               | 30,399      |
| Unrealized loss (gain) on exchange rate - net                                                        | (1,115)              | 529         |
| Gain from disposal of fixed assets                                                                   | (1,142)              | (259)       |
| Reversal of liabilities under guarantee obligation                                                   | (312,100)            | -           |
| Loss from downward adjustment of inventories to replacement values                                   | 37,268               | -           |
| Interest expense                                                                                     | 29,509               | 25,484      |
| <b>Cash Provided From Operating Activities before changes in operating assets and liabilities</b>    | 310,778              | 75,179      |
| <b>Decrease (increase) in Operating Assets:</b>                                                      |                      |             |
| Trade accounts and notes receivable                                                                  | (196,815)            | 119,553     |
| Inventories                                                                                          | (97,919)             | 4,232       |
| Accrued interest income - related company                                                            | 1,853                | (739)       |
| Refundable value - added tax                                                                         | (14,735)             | 10,624      |
| Refundable import duty                                                                               | 2,785                | (1,933)     |
| Other current assets                                                                                 | (2,759)              | (2,487)     |
| Other non - current assets                                                                           | (55)                 | -           |
| <b>Increase (decrease) in Operating Liabilities:</b>                                                 |                      |             |
| Trade accounts payable                                                                               | 34,252               | (26,235)    |
| Amount due to related company                                                                        | 2,444                | -           |
| Advances received from customers                                                                     | 24,178               | 853         |
| Accrued commission expenses                                                                          | (5,465)              | 2,054       |
| Accrued transportation expenses                                                                      | (1,575)              | 15,847      |
| Other accrued expenses                                                                               | 1,904                | (150)       |
| Other current liabilities                                                                            | (1,227)              | 158         |
| <b>Cash Provided from Operating Activities</b>                                                       | 57,644               | 196,956     |

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

**SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS (CONTINUE)**  
**FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007**

|                                                                       | <b>Thousand Baht</b> |             |
|-----------------------------------------------------------------------|----------------------|-------------|
|                                                                       | <b>2008</b>          | <b>2007</b> |
| <b>Cash Provided from Operating Activities (continue)</b>             | 57,644               | 196,956     |
| Payments for interest                                                 | (29,381)             | (25,456)    |
| Payment for income tax                                                | (9,886)              | (183)       |
| <b>Net Cash Provided from Operating Activities</b>                    | 18,377               | 171,317     |
| <b>Cash Flows from Investing Activities:</b>                          |                      |             |
| Increase in restricted deposits with bank                             | (120)                | (5,760)     |
| Proceed from disposal of equipment                                    | 1,580                | 537         |
| Acquisition of equipment and building improvements                    | (29,551)             | (12,418)    |
| <b>Net Cash used in Investing Activities</b>                          | (28,091)             | (17,641)    |
| <b>Cash Flows from Financing Activities</b>                           |                      |             |
| Increase (Decrease) in bank overdraft and loan from bank              | 145,082              | (67,981)    |
| Proceed from long - term borrowing under debt restructuring agreement | 437,900              | -           |
| Repayment of long - term loan under debt restructuring agreements     | (84,800)             | (87,865)    |
| Increase (Decrease) in short - term loan from director                | (43,700)             | 41,700      |
| Decrease in short - term loan from third party                        | -                    | (13,000)    |
| Payments of liabilities of related company under guarantee obligation | (470,324)            | (22,501)    |
| Payments for liabilities under financial leases                       | (1,812)              | (4,387)     |
| Increase in share capital                                             | 26,667               | -           |
| <b>Net Cash provided from (used in) Financing Activities</b>          | 9,013                | (154,034)   |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                      | (701)                | (358)       |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                 | 6,773                | 7,131       |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                       | 6,072                | 6,773       |

**Supplementary Disclosures for Cash Flows Information:**

Non - cash transactions:

|                                                                                                        |       |       |
|--------------------------------------------------------------------------------------------------------|-------|-------|
| Purchase of vehicles under financial lease contracts not affecting investing and financing activities. | 3,929 | 1,440 |
|--------------------------------------------------------------------------------------------------------|-------|-------|

## SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

### NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2008 AND 2007

#### 1. GENERAL INFORMATION

Sahamitr Pressure Container Public Company Limited was incorporated as a limited public company and listed in the Stock Exchange of Thailand. The Company is engaged in the manufacturing of LPG cylinders. The registered office address of the Company is 72/9 Moo 7, Soi Pulchaleoy, Bangkhunthien – Chaitalay Road, Samaedam, Bangkhunthien, Bangkok, Thailand, with a branch, currently not operated, at 290 Moo 3, Lampang – Chiang Mai Road, Tambol Thasobsao, Amphur Maetha, Lampoon Province, Thailand. The major shareholders of the Company are Mr. Sutham Ekahitanond (deceased and in the process of transfer to the heritable treasury) and Bangkok Bank Public Company Limited, holding 12% and 10% of the share capital, respectively.

During the year 2000, the related company's creditors filed court cases against it demanding for loan repayments totalling approximately Baht 1,797 million. Such liabilities are guaranteed by the Company and Company's directors. Of the total amount, the Company is responsible for the guarantee of such related company's loan of approximately Baht 1,350 million. The Company took up its damage from guarantee obligation (including the losses on non – collection of advances to directors who jointly guarantee the related company's loans) in the financial statements since the year 2003. However, on 27 June 2008, the Company and the related company entered into a debts restructuring agreement with a credit bank to restructure the repayment terms and the reduction of debts with conditions for the Company and associated company to fully comply with. In addition, on 24 September 2008, the Company was successful in the negotiation with the related company and the credit bank to restructure the guaranteed loans repayments, whereby the related company transferred the assets as indicated in the amended debt restructure agreements to repay the principle amount of debts of Baht 312.1 million to the bank. The Company, therefore made adjustment to reduce its liabilities under the guarantee obligation, and reversed the allowance for doubtful accounts of Baht 312.1 million to recognise as "other income" in the statement of income for year ended 31 December 2008 and made adjustment to reduce receivables – directors under guarantee obligation, receivable under obligation and allowance for doubtful accounts. In addition, on 24 October 2008, the Company entered into the new borrowing agreement with the bank to obtain long-term loan of Baht 437.9 million for the settlement of loan under of its guarantee obligation. This loan is repayable quarterly. The Company also increase of its share capital for the payment of the obligation of Baht 26.67 million on 19 December 2008. Under the loan restructuring agreement, the Company will get the waiver for the repayment of the balance of the guarantee obligation of Baht 464.8 million, after it has complied with the agreement within 13 months and after the transfer of the right of assets of associated company to the buyer.

## 2. FINANCIAL CRISIS

The financial crisis experienced by the United States of America over the past year has had far reaching adverse effects on the global economy as evidenced by sharp falls in share prices worldwide, tight squeeze on credit, including interbank lending, failures of large financial institutions and reduced consumer confidence. The crisis has affected substantially business and financial plans of Thailand enterprises and asset values. Despite efforts made by governments of many countries and also of Thailand, to contain the crisis, and to remedy the financial liquidity of financial institutions and to gain public confidence, it remains uncertain as to when the global economy will return to its normal. These financial statements have been prepared based on the facts currently known and on estimates and assumptions currently considered appropriate by management. However, they could be adversely affected by an array of future events.

## 3. BASIS OF FINANCIAL STATEMENT PREPARATION

3.1 The accompanying financial statements have been prepared in accordance with the generally accepted accounting principles issued under the Accounting Act B.E. 2543, and accounting standards issued under Accounting Profession Act B.E. 2547, and the regulations promulgated by the Securities and Exchange Commission and the Securities Exchange of Thailand concerning the preparation and the disclosure of financial information, under the Securities and Exchange Act B.E. 2535. The financial statements have been prepared on a historical cost basis except as, otherwise, disclosed in the accounting policies.

3.2 The financial statements are officially prepared in Thai language in accordance with statutory requirement with accounting standards enumerated under the Accounting Profession Act B.E. 2547. The translation of these statutory financial statements to other language must be in compliance with the official financial report.

3.3 During the year 2007 and 2008, the Federation of Accounting Professions has announced the amendments to certain accounting standards, which are effective for the accounting periods beginning on or after 1 January 2008 and 1 January 2009. The Company's management has determined the details of the amendments and believe that there is no significant impact to the Company.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### Revenue Recognition

The Company recognizes revenues from the sales of goods when the significant risks and reward of ownership of goods have been transferred to the buyer. Other income is recognized on an accrual basis. Interest income is recognized on an accrual basis on a time proportion that reflects the effective yield on the asset.

### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and highly liquid cash in banks (which do not have restriction of usage) that are readily convertible to cash on maturity date with insignificant risk of change in value.

### Trade Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are stated at invoice amount net of allowance for doubtful accounts (if any). The Company provides allowance for doubtful accounts equal to the estimated collection losses that may be incurred in the collection process. The estimated losses are based on historical collection experiences coupled with a review of the current status of receivables.

### Related parties

Related parties comprise enterprises and individuals that control, or are controlled by the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

### Inventory

The Company values its inventories at the lower of cost or net realizable value, by the following methods :

|                                    |                                           |
|------------------------------------|-------------------------------------------|
| Finished goods and work in process | At cost (average method)                  |
| Raw materials and others           | At cost (first – in , first – out method) |

Net realizable value is the estimate of the selling price in the ordinary course of business less the costs of completion (for work in process) and selling expenses. Provision is made, where necessary, for slow moving and defective inventories based on the Company's experiences and the current information.

### Impairment of Assets

The Company evaluated the impairment of property, plant and equipment and other non - current assets whenever events or changes in circumstances indicate that the recoverable amounts of assets are lower than their carrying amounts. An impairment loss is recognized as an expense in the statement of income for asset carried at cost, or treated as a deduction of revaluation increment in the case that the asset is carried at revalued amount to the extent that the impairment loss does not exceed the revaluation increment formerly accounted for on the same asset. A reversal of impairment loss is recognized as income or treated as a revaluation increment when there is an indication that the impairment loss recognized for the asset no longer exists or had decreased. Such a reversal should not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

### Depreciation

Property, plant and equipment are stated at cost. Cost is measured by the cash or cash equivalent price of obtaining the asset and bringing it to the location and condition necessary for its intended use. Plant and equipment are presented in the balance sheet at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

The Company depreciates its land improvements, plant and equipment acquired before 1989 by the declining balance method, and plant and equipment acquired after 1989 by the straight - line method, over the estimated useful lives of the assets as follows :

|                                          | <u>Years</u> |
|------------------------------------------|--------------|
| Land improvements                        | 10           |
| Buildings and improvements               | 20 - 40      |
| Machinery and equipment                  | 10 - 20      |
| Furniture, fixtures and office equipment | 10           |
| Vehicles                                 | 5            |

#### Computer Software

Computer software with definite useful lives is stated at cost less accumulated amortisation and allowance for impairment (if any). Amortization is charged to the statement of income on a straight-line basis over the estimated useful lives of 5 years.

#### Assets not used in operation

Assets not used in operation, represents property, plant and equipment that are not used in operation. Such property is stated at the carrying amount less allowance for impairment of assets.

#### Finance Lease

The Company records asset under finance lease as asset and liability in the balance sheet at amount equal to the fair value of such asset at the inception of the contract or, if lower, at the present value of the minimum payment. In calculating the present value of the minimum payment, the discount factor used is the interest rate implicit in the contract. The interest charge is recorded in period during the lease term based on the remaining balance of the liability for each period.

#### Operating Lease

Lease of asset under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payment under an operating lease is recognized as an expense on a systematic basis over the lease term.

#### Maintenance

Expenditures for addition, renewal and betterment, which result in a substantial increase in asset current replacement value, are capitalised. Repair and maintenance costs are recognised as an expense when incurred.

#### Foreign Currency Transactions

Transactions in foreign currencies are translated into Baht at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities, dominated in foreign currencies, at the balance sheet date are translated into Thai Baht at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of income.

### Income Tax

The computation of corporate income tax in compliance with the Revenue Code, is based on the taxable profit for the year after adding back expenses that are not deductible in determining taxable profit and the deduction of exempted income, according to the Revenue Code.

The Company recognised provision for income tax based on the amount currently payable according to the Revenue Code. However, there is no income tax payable for 2007 because the Company utilized tax losses carried forward.

### Employee Benefit

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

### Debt Restructuring

The Company adopts an accounting policy relating to debt restructuring by recognizing the waiver of accrued interest in excess of amount to be paid in the future as gain from debt restructuring.

The Company recognizes deferred interest from debt restructuring to offset against future interest expense on outstanding loans after debt restructuring in proportion of principal to be repaid in order to reflect future interest expenses at the effective interest rate.

### Basic Earnings per Share

Basic earnings per share is determined by dividing the net income by the weighted average number of shares outstanding during the year.

### Segment information

Segment information is presented by geography as primary format. Business segment is based on the management and internal reported structure.

### Use of Accounting Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reporting amounts of revenues, expenses, assets, liabilities and disclosure of contingent assets and liabilities. The actual result may differ from those estimates.

### Provisions for liabilities and expenses, and contingent assets

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events with probable outflow of resources to settle the obligation and where a reliable estimate of the amount can be made. The contingent assets will be recognized as separate assets only when the realization is virtually certain.

## Critical accounting estimates, assumption and judgement and capital risk management

### 1. Critical accounting estimates, assumption and judgments

Estimates, assumption and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances as follows :

#### 1.1. Impairment of receivables and loan

The Company accounts for allowance for doubtful accounts equal to the estimated collection losses that may be incurred in the collection of receivables and loan. The estimated losses are based on uncertainty in the collection as considered by the management.

#### 1.2. Allowance for slow-moving and defective inventories

The Company estimates an allowance for slow-moving and defective inventories to reflect impairment of inventories. The allowance is based on the consideration of inventory turnovers and deterioration of each category.

#### 1.3. Property, plant and equipment and intangible assets

Management regularly determines the estimated useful lives and residual values for the Company's property, plant and equipment and intangible assets, and will revise the depreciation and the amortization charge where useful lives and residual values previously estimated have changed or subject to be written down for their technical obsolescence or no longer in used.

#### 1.4. Leases

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

#### 1.5. Impairment of assets

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

### 2. Capital risk management

The Company's objectives in the management of capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares or issue new debentures to finance debts or sell assets to reduce debts.

## 5. TRANSACTIONS WITH RELATED PARTIES

The Company has transactions with parties that are related to it through common shareholding and/or directorship. Thus, the financial statements reflect the effects of these transactions on the basis agreed upon between the Company and its related parties, which basis might be different from the basis used for transactions with unrelated parties.

| Related parties                     | Type of business                     | Relationship                            |
|-------------------------------------|--------------------------------------|-----------------------------------------|
| Mrs. Supha Phromsaka Na Sakolnakorn | -                                    | Shareholder and director                |
| Sahamitr Steel Co., Ltd.            | Manufacturing and distributing steel | Same group of shareholders and director |
| Mr. Thammik Ekahitanond             | -                                    | Shareholder                             |

Significant balances with related parties from guarantee obligation for Sahamitr Steel Co., Ltd. and other as at 31 December 2008 and 2007 consist of :

|                                                                                  | Thousand Baht |             |
|----------------------------------------------------------------------------------|---------------|-------------|
|                                                                                  | 2008          | 2007        |
| Receivables – directors, under guarantee obligation for Sahamitr Steel Co., Ltd. |               |             |
| - Mr. Sutham Ekahitanond                                                         | 346,142       | 450,175     |
| - Mrs. Supha Phromsaka Na Sakolnakorn                                            | 346,142       | 450,175     |
| Receivable under guarantee obligation for Sahamitr Steel Co., Ltd.               | 189,412       | 346,870     |
| Loans to Sahamitr Steel Co., Ltd.                                                | 142,793       | 103,305     |
| Total                                                                            | 1,024,489     | 1,350,525   |
| <u>Less:</u> Allowance for doubtful accounts                                     | (1,024,489)   | (1,350,525) |
| Net                                                                              | -             | -           |
| Accrued interest income – related company                                        | -             | 1,853       |
| Amount due to Sahamitr Steel Co., Ltd.                                           | 2,444         | -           |
| Short – terms loans from directors (non – interest bearing)                      | -             | 43,700      |

The loan to Sahamitr Steel Co., Ltd. bears interest at the rate of 1.00 percent per annum.

Receivables from directors under guarantee obligation, receivable under guarantee obligation and loans to Sahamitr Steel Co., Ltd. represent receivables and loans under the conditions of the debt restructuring agreement of Sahamitr Steel Co., Ltd., which were taken up in the books by the order of the Office of Securities and Exchange Commission (SEC) together with necessary allowance for doubtful accounts. Because of the substantial doubt for the recoverabilities of these receivables, the Company set up full allowance for losses in its accounts.

Due to the decease of Mr. Sutham Ekahitanond, during the year 2007, the Company will have to process the transfer of the claim from his heritable treasury, based on the proportion of cash advanced to Sahamitr Steel Co., Ltd. under the guarantee obligation.

Under a condition of the debt restructuring agreements with local credit bank, should the related company have inadequate cash flow, the Company will have to make cash loans to the related company to repay its loan principal in accordance with the repayment schedule under the debt restructuring agreement dated 24 December 2002. Up to as at 31 December 2008 and 2007, the Company has made cash loans to such related company amounted to Baht 142.8 million and Baht 103.3 million, respectively. The management believes that the recoverability of such loans is very uncertain, hence, the Company provided full allowance for losses on such loans in its accounts.

On 27 June 2008 and 24 September 2008, the Company and related company entered into restructuring agreement to amend the terms of the repayments and the reduction of the portion of guarantee obligation with the credit bank, for the outstanding principal amount of guarantee obligation of approximately Baht 1,241.5 million with major conditions as follows :

- 1) The related company will have to transfer the assets as indicated in the amended debt restructuring agreements to pay the principal amount of debts of Baht 312.1 million to a bank within 30 December 2008. On 24 September 2008, the related company had completed the transfer of such assets to the bank.
- 2) The Company, as a guarantor, agrees to pay for the principal amount of debts of Baht 437.9 million to the bank within 24 October 2008. This amount was subsequently settled on 24 October 2008, with the new long-term loan from such bank. The Company agrees to repay this new loan by quarterly installments.
- 3) The Company, as a guarantor, agrees to pay the principal amount of debts of Baht 26.7 million to the bank within 30 December 2008 by transferring 2.67 million shares at Baht 10 per share of its increased capital to the bank with the option for the existing shareholders in the Ekahithanond, Phromsaka Na Sakol Nakhorn and Laowong families to buy these shares back within 3 years.
- 4) The bank will give the waiver for the collection of the remaining principal amount of debts of Baht 464.8 million and accrued interest when the Company and related company fully comply with the conditions as described in the agreement that will fall due in 13 months after the related company transfers the assets to the buyer.

As at 31 December 2008 and 2007, the outstanding balance of liabilities from the guarantee of related company's obligation are as follows :

|                                                                     | Thousand Baht |           |
|---------------------------------------------------------------------|---------------|-----------|
|                                                                     | 2008          | 2007      |
| Liabilities of related company under the guarantee obligation       | 464,796       | 1,247,220 |
| <u>Less</u> Portion due within one year                             | (464,796)     | (58,234)  |
| Liabilities of related company under the guarantee obligation – net | -             | 1,188,986 |

Under the condition No. 4 of the debt restructuring agreements dated 27 June 2008, the bank will give the waiver for the collection of the remaining principal amount of debts of Baht 464.8 million and accrued interest to the related company. The Company, therefore, reclassified its liability under the guarantee obligation to current liabilities.

Significant transactions with related parties for the years ended 31 December 2008 and 2007 consist of :

|                 | Thousand Baht |       |
|-----------------|---------------|-------|
|                 | 2008          | 2007  |
| Interest income | 1,104         | 906   |
| Rental expense  | 3,000         | 3,000 |

6. CASH AND DEPOSITS WITH BANKS

|                                       | Thousand Baht |       |
|---------------------------------------|---------------|-------|
|                                       | 2008          | 2007  |
| Cash                                  | 200           | 200   |
| Foreign currency – equivalent to Baht | 771           | 1,822 |
| Saving accounts with banks            | 137           | 2,679 |
| Current accounts with banks           | 4,964         | 2,072 |
| Total                                 | 6,072         | 6,773 |

7. TRADE ACCOUNTS AND NOTES RECEIVABLE – NET

As at 31 December 2008 and 2007, the aged trade accounts and notes receivable are as follows :

|                                             | Thousand Baht |         |
|---------------------------------------------|---------------|---------|
|                                             | 2008          | 2007    |
| Not yet due                                 | 234,885       | 82,931  |
| Over due                                    |               |         |
| Less than 3 months                          | 47,918        | 5,378   |
| More than 3 months not over 6 months        | 4,939         | 1,830   |
| More than 6 months not over 12 months       | 3,324         | 438     |
| More than 12 months                         | -             | 3,462   |
| Total                                       | 291,066       | 94,039  |
| <u>Less</u> Allowance for doubtful accounts | -             | (2,814) |
| Net                                         | 291,066       | 91,225  |

## 8. INVENTORIES

|                                                | Thousand Baht |         |
|------------------------------------------------|---------------|---------|
|                                                | 2008          | 2007    |
| Finished goods                                 | 15,343        | 25,063  |
| Work in process                                | 30,141        | 39,537  |
| Raw materials and others                       | 110,931       | 84,348  |
| Goods in transit                               | 91,481        | 38,297  |
| Total                                          | 247,896       | 187,245 |
| <u>Less</u> Allowance for obsolete inventories | (656)         | (656)   |
| Net                                            | 247,240       | 186,589 |

In 2008, the Company recognised loss from decline in value of raw materials of Baht 37.3 million by making downward adjustment to each item of raw materials to equal replacement cost based on the current of price quoted by supplier. Loss from declining in valuation of raw materials is presented as a separate item in the statement of income.

## 9. REFUNDABLE IMPORT DUTY

The Company imported some of materials for the production of products for re - export. In accordance with the provision of Customs Act, the Company can refund import duty when re - exporting goods from those materials within the prescribed period. The Company therefore, accounts for the payments of import duty as an asset waiting for refund. Outstanding balance is occurred from exporting goods but not yet received from Custom Department.

## 10. RESTRICTED DEPOSITS WITH BANKS

As at 31 December 2008 and 2007, the Company fixed and saving deposits totalling Baht 14.0 million and Baht 13.9 million, respectively, have been pledged as collaterals for letters of guarantee issued by a local bank to certain state enterprises and credit lines for bank overdraft and loan from bank.

11. PROPERTY, PLANT AND EQUIPMENT

|                                                              | Thousand Baht  |               |              |                      |                |
|--------------------------------------------------------------|----------------|---------------|--------------|----------------------|----------------|
|                                                              | 2007           | Addition      | Deduction    | Transfer<br>In (Out) | 2008           |
| <b>Cost</b>                                                  |                |               |              |                      |                |
| Land and improvements                                        | 104,017        | -             | -            | -                    | 104,017        |
| Buildings and improvements                                   | 290,957        | 11            | -            | 841                  | 291,809        |
| Machinery and equipment                                      | 325,298        | 5,634         | 424          | 16,921               | 347,429        |
| Furniture, fixtures and office equipment                     | 24,798         | 503           | -            | 785                  | 26,086         |
| Vehicles                                                     | 61,895         | 8,283         | 5,097        | -                    | 65,081         |
| Machinery under installation and<br>construction in progress | 6,804          | 19,051        | -            | (18,547)             | 7,308          |
| <b>Total Cost</b>                                            | <u>813,769</u> | <u>33,482</u> | <u>5,521</u> | <u>-</u>             | <u>841,730</u> |
| <b>Accumulated Depreciation</b>                              |                |               |              |                      |                |
| Land improvements                                            | 31,157         | 40            | -            | -                    | 31,197         |
| Buildings and improvements                                   | 121,948        | 7,020         | -            | -                    | 128,968        |
| Machinery and equipment                                      | 159,952        | 17,072        | 113          | -                    | 176,911        |
| Furniture, fixtures and office equipment                     | 22,142         | 831           | -            | -                    | 22,973         |
| Vehicles                                                     | 56,505         | 3,483         | 4,969        | -                    | 55,019         |
| <b>Total Accumulated Depreciation</b>                        | <u>391,704</u> | <u>28,446</u> | <u>5,082</u> | <u>-</u>             | <u>415,068</u> |
| <b>Net</b>                                                   | <u>422,065</u> |               |              |                      | <u>426,662</u> |
| <b>Depreciation Allocation</b>                               |                |               |              |                      |                |
| Costs of goods sold                                          | 21,977         |               |              |                      | 22,443         |
| Selling and administrative expenses                          | 5,490          |               |              |                      | 6,003          |
| Depreciation for the year                                    | <u>27,467</u>  |               |              |                      | <u>28,446</u>  |

The above land, buildings, machinery and equipment have been mortgaged as collaterals for credit facilities as discussed in Notes 14 and 15 to the financial statements.

12. COMPUTER SOFTWARE

|                           | Thousand Baht |          |          | 2008   |
|---------------------------|---------------|----------|----------|--------|
|                           | 2007          | Increase | Decrease |        |
| Cost                      | 14,660        | -        | -        | 14,660 |
| Accumulated amortization  | 7,330         | 2,932    | -        | 10,262 |
| Net book value            | 7,330         |          |          | 4,398  |
| Amortization for the year | 2,932         |          |          | 2,932  |

13. ASSETS NOT USED IN OPERATIONS

The Company had hired an independent appraiser to re-appraise its unused assets at depreciated replacement cost since the year 1999. Based on the report, the appraised value of land and related assets of the factory in Lampoon Province was lower than net book value by approximately Baht 71.6 million, which was recognized as loss on impairment of assets in that year. However, the appraised value of 2 parcels of idle land exceeds net book value by approximately Baht 0.16 million. This is presented as “Revaluation increment in land not used in operations” under shareholders’ equity in the balance sheets as at 31 December 2008 and 2007. The Company had reviewed the current value of land by reference to the Land Department and noted that the current value is not different from the book value, therefore has not arranged for the re-appraisal.

The above assets not used in operations have been mortgaged as collateral for credit facilities as discussed in Notes 14 and 15 to the financial statements. The credit bank regularly reviews the current value of such collaterals.

14. BANK OVERDRAFT AND LOANS FROM BANK

|                                  | Thousand Baht |         |
|----------------------------------|---------------|---------|
|                                  | 2008          | 2007    |
| Bank overdraft                   | 16,595        | -       |
| Promissory notes                 | 260,465       | 187,423 |
| Liabilities under trust receipts | 96,287        | 122     |
| Short - term loans from bank     | 11,744        | 51,025  |
| Total                            | 385,091       | 238,570 |

The Company had credit facilities for bank overdraft and loan from bank totalling 480 million. The loans bear interest at the rate of 6.75 – 7.25 percent per annum. Bank overdraft and loan from bank are collateralized by the mortgages of the Company’s land, buildings and machinery thereon and assets not used in operations, saving account of Baht 10 million, by the pledge of the Company shares belonging to the Company’s shareholders, and additionally the mortgage of the shareholder’s land and by the personal guarantees of certain Company’s shareholders and directors.

Short - term loans from bank are collateralized by the discounts of accounts receivable with recourse and bear interest at the rate of 6.75 - 7.50 percent per annum.

15. LONG – TERM LOANS UNDER DEBT RESTRUCTURING AGREEMENT

The outstanding balance of debts as at 31 December 2008 and 2007, under debt restructuring agreement and the new credit facilities and the repayment schedules are as follows :

|                                                                                                                                                                                                     | Thousand Baht |          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|----------|
|                                                                                                                                                                                                     | 2008          | 2007     |
| Loans and accrued interest, payable by installments at the varying amounts starting from September 2001 (interest at Minimum Loan Rate with duration commencing in September 2001)                  | 25,746        | 81,366   |
| Tranche E, payable by 19 quarterly installments at the varying amounts starting from December 2002 (interest at Minimum Loan Rate plus 1% and Minimum Loan Rate per annum commencing December 2002) | -             | 8,179    |
| Loans and accrued interest, payable by installments at the varying amounts starting from October 2008 (interest at Minimum Loan Rate with duration commencing in October 2008)                      | 416,900       | -        |
| Total                                                                                                                                                                                               | 442,646       | 89,545   |
| <u>Less</u> Portion due within one year                                                                                                                                                             | (56,805)      | (50,898) |
| Net                                                                                                                                                                                                 | 385,841       | 38,647   |

On 27 June 2008, the Company obtained the approval for long-term loan from bank amounted to Baht 437.9 million to repay loan of related company. The Company used the proceed from such loan for repayment of debts on 24 October 2008 as discussed in Note 5 to financial statements. Such loan from bank is collateralized by the mortgages of the Company's land, buildings and machinery, and additionally the mortgage of the shareholder's land and some of director and the assignment of lease hold right in land to bank, and personal guarantee of the Company's director.

16. LIABILITIES UNDER FINANCIAL LEASES

|                                          | Thousand Baht |            |
|------------------------------------------|---------------|------------|
|                                          | 2008          | 2007       |
| Liabilities under financial leases       | 3,311         | 1,194      |
| <u>Less</u> Portion due within one year  | (1,468)       | (900)      |
| Liabilities under financial leases – net | <u>1,843</u>  | <u>294</u> |

The Company has financial lease agreements for vehicles that are being used in operations with installment periods of 24 - 48 months.

17. SHARE CAPITAL

At the Extra Ordinary Meeting No. 1/2551 held on 24 November 2008, the shareholders passed a resolution approving the increase of registered share capital from Baht 240.00 million (divided into 24 million ordinary shares with a par value of Baht 10 each) to Baht 266.67 million (divided into 26.67 million ordinary shares with a par value of Baht 10 each) to repay debts to creditor under the condition of the debt restructuring agreements as discussed in Notes 5 to the financial statements. The Company had registered a share increment with Ministry of Commerce on 22 December 2008.

18. LEGAL RESERVE

Under the provision of the Limited Public Companies Act B.E. 2535, the Company is required to appropriate at least 5% of its annual net income after deduction of the deficit brought forward (if any) as reserve fund until the reserve reaches not less than 10% of the authorized capital. This reserve is not available for dividend distribution.

19. OTHER INCOME

Other income for the years ended 31 December 2008 and 2007 are as follows :

|                          | Thousand Baht |               |
|--------------------------|---------------|---------------|
|                          | 2008          | 2007          |
| Revenue from scrap sales | 37,700        | 8,608         |
| Freight revenue          | 4,668         | 1,494         |
| Others                   | 4,749         | 4,764         |
| Total                    | <u>47,117</u> | <u>14,866</u> |

20. INCOME TAX

|                                                                   | Thousand Baht                   |                 |
|-------------------------------------------------------------------|---------------------------------|-----------------|
|                                                                   | For the years ended 31 December |                 |
|                                                                   | 2008                            | 2007            |
| Net income                                                        | 480,053                         | 16,212          |
| Income tax                                                        | 46,927                          | -               |
| Net income before tax                                             | <u>526,980</u>                  | <u>16,212</u>   |
| <u>Add</u> Items not yet allowable as expenses under Revenue Code | 2,599                           | 5,526           |
| <u>Less</u> Reversal of allowance for doubtful debts and          |                                 |                 |
| Tax exempted income                                               | 319,725                         | 8,436           |
| Loss carried forward                                              | 22,145                          | 35,447          |
| Net taxable income (loss)                                         | <u>187,709</u>                  | <u>(22,145)</u> |
| Income tax for the year                                           | <u>46,927</u>                   | <u>-</u>        |

**Income tax reduction**

The Royal Decree No. 475 B.E. 2544 dated 6 August 2008 grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for three consecutive accounting periods beginning on or after 1 January 2008 but not beyond the year 2010 accounting period ending on or after 31 December 2010. The Company has, accordingly, calculated income tax on its taxable profit for the year ended 31 December 2008 at the 25% of taxable income.

## 21. SEGMENTAL FINANCIAL INFORMATION

Segmental financial information for the years ended 31 December 2008 and 2007 are as follows :

|                                                                            | Thousand Baht                   |                |                  |               |                |                |
|----------------------------------------------------------------------------|---------------------------------|----------------|------------------|---------------|----------------|----------------|
|                                                                            | For the years ended 31 December |                |                  |               |                |                |
|                                                                            | 2008                            |                |                  | 2007          |                |                |
|                                                                            | Domestic                        |                | Total            | Domestic      |                | Total          |
|                                                                            | sales                           | Export         |                  | sales         | Export         |                |
| Net sales                                                                  | 569,508                         | 2,218,259      | 2,787,767        | 177,549       | 1,540,109      | 1,717,658      |
| Cost of sales                                                              | (376,289)                       | (1,849,074)    | (2,225,363)      | (139,332)     | (1,287,347)    | (1,426,679)    |
| Gross margin                                                               | <u>193,219</u>                  | <u>369,185</u> | <u>562,404</u>   | <u>38,217</u> | <u>252,762</u> | <u>290,979</u> |
| Other income                                                               |                                 |                | 47,117           |               |                | 14,866         |
| Gain from reversal of allowance for liabilities under guarantee obligation |                                 |                | 312,100          |               |                | -              |
| Selling and administrative expenses                                        |                                 |                | (327,864)        |               |                | (264,149)      |
| Loss from downward adjustment of inventories to replacement values         |                                 |                | (37,268)         |               |                | -              |
| Interest expense                                                           |                                 |                | (29,509)         |               |                | (25,484)       |
| Income tax                                                                 |                                 |                | (46,927)         |               |                | -              |
| Net Income                                                                 |                                 |                | <u>480,053</u>   |               |                | <u>16,212</u>  |
| Trade accounts and notes receivable – net                                  |                                 |                | 291,066          |               |                | 91,225         |
| Inventories - net                                                          |                                 |                | 247,240          |               |                | 186,589        |
| Property, plant and equipment – net                                        |                                 |                | 426,662          |               |                | 422,065        |
| Other assets                                                               |                                 |                | 117,756          |               |                | 108,359        |
| Total Assets                                                               |                                 |                | <u>1,082,724</u> |               |                | <u>808,238</u> |

Gross margin of each segment for domestic and export sales derived from the deduction of related costs of sales, which was calculated by the weighted average standard cost of each product.

Other assets consist of cash and cash equivalents and other assets.

## 22. EXPENSES BY NATURE

Significant expenses by nature are as follows :

|                                                                    | Thousand Baht |           |
|--------------------------------------------------------------------|---------------|-----------|
|                                                                    | 2008          | 2007      |
| Salary and wages and other employee benefits                       | 169,900       | 134,507   |
| Depreciation                                                       | 28,446        | 27,467    |
| Amortisation                                                       | 2,932         | 2,932     |
| Loss on exchange                                                   | 21,554        | 42        |
| Loss from downward adjustment of inventories to replacement values | 37,268        | -         |
| Rental expenses                                                    | 3,130         | 3,127     |
| Raw materials and consumable used                                  | 3,300,981     | 2,072,798 |
| Changes in inventories of finished goods and work in progress      | (34,068)      | 10,669    |

## 23. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Companies Act, exclusive of salaries and related benefits payable to executive directors. The directors' remuneration has not been approved at the Company Annual General Meeting. However, the Company will propose this for ratification in the next shareholders meeting.

## 24. CONTINGENT LIABILITIES AND COMMITMENT

- a) As at 31 December 2008, the Company has outstanding bank guarantees for the importation of steel materials for the manufacturing of products for re – export and for other matters, arising in the ordinary course of business, totalling Baht 64.2 million.
- b) As at 31 December 2008, the Company has commitment to pay for computer system maintenance fee of EUR 19,278 per annum commencing on 1 January 2005.
- c) As at 31 December 2008, the Company has a land rental agreement with a shareholder covering a period of thirty (30) years. Under the term of the agreement, the Company has to pay the annual rental of Baht 3.0 million.

## 25. DISCLOSURE OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, restricted deposits with banks, trade and other accounts receivable and payable, and long - term loans. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies in Note 4 to the financial statements.

### Liquidity Risk

Liquidity risk arises from the possibility that customers may not be able to settle obligations to the Company within the normal terms of trade. To manage this risk, the Company periodically assesses the financial viability of customers.

### Foreign Currency Risk

This risk may incur as the Company has executed in operating transactions in foreign currencies with exchange rate and cash flow risk exposures for certain purchase and significant sales transactions. Management believes that the foreign currency risk is minimum, hence, the Company has no hedging agreement to protect against such risk. As at 31 December 2008, the Company has outstanding unhedged trade accounts receivable in foreign currency of approximately USD 6.2 million and EUR 0.6 million.

### Credit Risk

Credit risk refers to the risk that counterparty will default in its contractual obligations resulting in a financial loss to the Company. Management believes that the Company has no significant credit risk with any single counterparty or group of counterparties since the Company has the large number of customers.

### Interest Rate Risk

Interest rate risk arises from the fluctuation of market interest rates, which may have a negative effect to current and future operations of the Company. Management believes that the interest rate risk is minimum, hence, the Company has no hedging agreement to protect against such risk.

### Fair Value of Financial Instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction. Fair values are obtained from quoted market prices or discounted cash flow models.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

- Cash and cash equivalents, restricted deposits with banks and accounts receivable - the carrying values approximate their fair values due to the relatively short-term maturity of these financial instruments.
- Bank overdraft and loans from bank, accounts payable - trade and loans from directors - the carrying amounts of these financial liabilities approximate their fair values due to the relatively short-term maturity of this financial instrument.

- Long - term loans, bearing floating - Minimum Loan Rate, which is considered as market rate - the carrying value approximates their fair values.

26. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's Board of directors on 26 February 2009.