

REPORT OF THE INDEPENDENT AUDITOR

To the Shareholders of Sahamitr Pressure Container Public Company Limited

I have audited the balance sheets of Sahamitr Pressure Container Public Company Limited as at 31 December 2009 and 2008, 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 2009 and 2008, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Without qualifying my opinion, I draw attention to Note 2 to the financial statements that on 28 September 2009, the credit bank had given the waiver for the collection of the remaining principle amount of debt of Baht 464.8 million with related accrued interest to the related company as the Company and related company have fully complied with the debts restructure agreement. The Company's liability under guarantee obligation, therefore, was released.



Mr. Somckid Tiatragul

Certified Public Accountant

Registration No. 2785

Bangkok, Thailand

22 February 2010

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

BALANCE SHEETS

AS AT 31 DECEMBER 2009 AND 2008

ASSETS

	Notes	Thousand Baht	
		2009	2008
CURRENT ASSETS			
Cash and deposits with banks	7	2,525	6,072
Trade accounts receivable - net	8	89,654	291,066
Inventories - net	9	161,628	247,240
Refundable value - added tax		9,436	42,753
Refundable import duty	10	-	5,651
Other current assets		11,595	13,591
Total Current Assets		274,838	606,373
NON - CURRENT ASSETS			
Receivable from and loans to related parties			
under guarantee obligation - net	6	-	-
Restricted deposits with banks	11	14,108	14,038
Property, plant and equipment - net	12	412,872	426,662
Computer software - net	14	1,466	4,398
Assets not used in operations - net	13	28,800	28,610
Other non - current assets		2,275	2,281
Total Non - Current Assets		459,521	475,989
TOTAL ASSETS		734,359	1,082,362

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

BALANCE SHEETS

AS AT 31 DECEMBER 2009 AND 2008

LIABILITIES AND CAPITAL DEFICIENCY

	Notes	Thousand Baht	
		2009	2008
CURRENT LIABILITIES			
Bank overdraft and loan from bank	15	227,784	385,091
Trade accounts payable		113,049	187,560
Amounts due to related company	6	1,338	2,444
Short - term loans from third parties	16	27,000	-
Short - term loan from director	6	16,000	-
Current portion of			
- Long - term loans under debt restructuring agreements	17	53,000	56,805
- Liabilities from the guarantee obligation of related company's debts	6	-	464,796
- Liabilities under financial leases	18	819	1,320
Advances received from customers		13,456	26,504
Accrued commission expenses		13,645	2,707
Accrued transportation expenses		17,121	28,078
Accrued income tax		-	37,041
Other accrued expenses		41,691	18,500
Other current liabilities		3,604	2,895
Total Current Liabilities		528,507	1,213,741
NON - CURRENT LIABILITIES			
Long - term loans under debt restructuring agreements - net	17	338,900	385,841
Liabilities under financial leases - net	18	811	1,629
Total Non - Current Liabilities		339,711	387,470
Total Liabilities		868,218	1,601,211

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

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

BALANCE SHEETS

AS AT 31 DECEMBER 2009 AND 2008

LIABILITIES AND CAPITAL DEFICIENCY (CONTINUE)

	Notes	Thousand Baht	
		2009	2008
CAPITAL DEFICIENCY			
Share capital - common share, Baht 10 par value			
Authorized - 26,666,666 shares	19	266,667	266,667
Issued and fully paid - up - 26,666,666 shares		266,667	266,667
Premium on share capital		50,000	50,000
Revaluation increment in land not used in operations	13	1,659	159
Retained earnings (Deficit)			
- Appropriated for legal reserve	20	983	983
- Deficit		(453,168)	(836,658)
Capital Deficiency		(133,859)	(518,849)
TOTAL LIABILITIES NET OF CAPITAL DEFICIENCY		734,359	1,082,362

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

STATEMENTS OF INCOME

FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

		Thousand Baht	
	Notes	2009	2008
Net sales	23	1,188,317	2,787,767
Costs of sales	23	(989,941)	(2,225,363)
Gross profit		198,376	562,404
Other income	21	25,241	47,117
Reversal of doubtful debt under guarantee obligation		467,561	312,100
Selling expenses	24	(130,540)	(158,556)
Administrative expenses	24	(98,654)	(131,652)
Executive compensation		(37,457)	(37,656)
Loss from downward adjustment of inventories		-	(37,268)
Income before financial expense and income tax		424,527	556,489
Financial expense		(41,037)	(29,509)
Income before income tax		383,490	526,980
Income tax	22	-	(46,927)
NET INCOME		383,490	480,053
Basic earnings per share			
Net income (Baht per share)		14.38	19.92
Weighted average number of common share (shares)		26,666,666	24,102,004

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

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED
 STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

		Thousand Baht					
		Share Capital	Premium	Revaluation	Retained Earnings (deficit)		
	Notes	- Issued and Fully Paid	on Share Capital	Increment in Land Not Used in Operations	Appropriated for Legal Reserve	Deficit	Total
Balance as at 1 January 2008		240,000	50,000	159	983	(1,316,711)	(1,025,569)
Increased share capital during the year	19	26,667	-	-	-	-	26,667
Net income for the year		-	-	-	-	480,053	480,053
Balance as at 31 December 2008		266,667	50,000	159	983	(836,658)	(518,849)
Balance as at 1 January 2009		266,667	50,000	159	983	(836,658)	(518,849)
Increase in revaluation increment in land not used in operations	13	-	-	1,500	-	-	1,500
Net income for the year		-	-	-	-	383,490	383,490
Balance as at 31 December 2009		266,667	50,000	1,659	983	(453,168)	(133,859)

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 2009 AND 2008

	Thousand Baht	
	2009	2008
Cash Flows from Operating Activities		
Income before income tax	383,490	526,980
Adjustments to reconcile income before income tax to net cash provided from (used in) operating activities:		
Depreciation and amortisation	33,510	31,378
Unrealized loss (gain) on exchange rate - net	91	(1,115)
Loss (gain) from disposal of fixed assets	1,275	(1,142)
Loss from downward adjustment of inventories	-	37,268
Loss on impairment of assets	1,310	-
Allowance for doubtful accounts	1,000	-
Reversal of doubtful debt under guarantee obligation	(467,561)	(312,100)
Interest expense	41,037	29,509
Cash Provided From (Used in) Operating Activities before changes in operating assets and liabilities	(5,848)	310,778
Decrease (increase) in Operating Assets:		
Trade accounts receivable	200,279	(196,815)
Inventories	85,612	(97,919)
Accrued interest income - related company	-	1,853
Refundable value - added tax	33,317	(14,735)
Refundable import duty	5,651	2,785
Other current assets	4,591	(2,518)
Other non - current assets	6	(55)
Increase (decrease) in Operating Liabilities:		
Trade accounts payable	(74,545)	34,252
Amount due to related company	(1,106)	2,444
Advances received from customers	(12,999)	24,178
Accrued commission expenses	10,938	(5,465)
Accrued transportation expenses	(10,957)	(1,575)
Other accrued expenses	19,784	1,904
Other current liabilities	709	(1,227)
Cash Provided from Operations (continue)	255,432	57,885

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 2009 AND 2008

	Thousand Baht	
	2009	2008
Cash provided from Operations (continue)	255,432	57,885
Payments for interest	(37,631)	(29,381)
Payments for income tax	(39,636)	(9,886)
Net Cash provided from Operating Activities	178,165	18,618
 Cash Flows from Investing Activities:		
Increase in restricted deposits with bank	(70)	(120)
Proceed from disposal of equipment	15	1,580
Acquisition of equipment and building improvements	(18,078)	(29,551)
Net Cash used in Investing Activities	(18,133)	(28,091)
 Cash Flows from Financing Activities		
Increase (decrease) in bank overdraft and loan from bank	(157,279)	145,082
Proceed from long - term borrowing under debt restructuring agreement	-	437,900
Repayment of long - term loan under debt restructuring agreements	(47,981)	(84,800)
Increase (decrease) in short - term loan from director	16,000	(43,700)
Increase in short - term loans from third parties	27,000	-
Payments for obligation from guarantee of related company	-	(470,324)
Payments for liabilities under financial leases	(1,319)	(2,053)
Cash received from increase in share capital	-	26,667
Net Cash provided from (used in) Financing Activities	(163,579)	8,772
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,547)	(701)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,072	6,773
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,525	6,072

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

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2009 AND 2008

1. GENERAL INFORMATION

Sahamitr Pressure Container Public Company Limited was incorporated as a limited public company in Thailand, and has been 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, Lamphoon 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.

2. RESULTS OF DEBT RESTRUCTURING AGREEMENT

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 disposed its assets as indicated in the amended debt restructure agreements to repay the principle amount of debts of Baht 312.1 million to the bank. 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 Bank will give waiver for the repayment of the balance of the Company's guarantee obligation of Baht 464.8 million and accrued interest to the related company, 13 months after the related company has complied with the agreement for the transfer of the right of assets of related company to the buyer. On 28 September 2009, the credit bank had given the waiver for the collection of the remaining principle amount of debt of Baht 464.8 million and accrued interest to the related company as the Company and related company have fully complied with such agreement. The Company's liability under guarantee obligation, therefore, was released.

As at 31 December 2009 and 2008, the Company has deficit of Baht 453.2 million and Baht 836.7 million, respectively. The Company's management is in the process to review the business plan and capital restructuring. Management is confident to rectify this problem in the near future.

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 specifically.

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 Thai financial report.

3.3 During the years 2008 and 2009, the Federation of Accounting Professions has announced the amendments to certain accounting standards, financial reporting standards and accounting treatment guidelines which are effective for the accounting periods beginning on or after 1 January 2009 and 1 January 2011 and 1 January 2012. The Company's management has assessed the effects of those amended accounting standards, financial reporting standards and accounting treatment guidelines and believe that they do not have any significant impact on the financial statements for the period in which they are initially applied.

3.4 The Federation of Accounting Professions has issued Notification No. 12/2552, regarding the renumbering of Thai Accounting Standards to match the corresponding International Accounting Standards. Therefore, the numbers of Thai Accounting Standards as used in these financial statements are corresponding to those International Accounting Standards.

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 incur 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 directing 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 that bring 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 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.

Employee Benefit

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

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 segments are based on the management and internal report 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.

5. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTION AND JUDGEMENT AND CAPITAL RISK MANAGEMENT

5.1 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 :

5.1.1 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.

5.1.2 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.

5.1.3 Property, plant and equipment and computer software

Management regularly determines the estimated useful lives and residual values for the Company's property, plant and equipment and computer software, 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.

5.1.4 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.

5.1.5 Impairment of assets

The Company treats 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.

5.2 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.

6. 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 those 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.

Significant balances with related parties from guarantee obligation for Sahamitr Steel Co., Ltd. and others as at 31 December 2009 and 2008 consist of :

	Thousand Baht	
	2009	2008
Receivables – directors, under guarantee obligation for Sahamitr Steel Co., Ltd.		
- Mr. Sutham Ekahitanond	191,210	346,142
- Mrs. Supha Phromsaka Na Sakolnakorn	191,210	346,142
Receivable under guarantee obligation for Sahamitr Steel Co., Ltd.	9,481	189,412
Loans to Sahamitr Steel Co., Ltd.	167,791	142,793
Total	559,692	1,024,489
<u>Less:</u> Allowance for doubtful accounts	(559,692)	(1,024,489)
Net	-	-
Amount due to Sahamitr Steel Co., Ltd.	1,338	2,444
Short - terms loans from director (non - interest bearing)	16,000	-
Liabilities from the guarantee obligation of related company’s debts	-	464,796

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 obligation 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). 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 2009 and 2008, the Company has made cash loans to such related company amounted to Baht 167.8 million and Baht 142.8 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.

Significant transactions with related parties for the years ended 31 December 2009 and 2008 consist of :

	Thousand Baht	
	2009	2008
Interest income	1,591	1,104
Rental expense	3,000	3,000

7. CASH AND DEPOSITS WITH BANKS

	Thousand Baht	
	2009	2008
Cash	200	200
Foreign currency – equivalent to Baht	735	771
Saving accounts with banks	82	137
Current accounts with banks	1,508	4,964
Total	2,525	6,072

8. TRADE ACCOUNTS RECEIVABLE

As at 31 December 2009 and 2008, the aged trade accounts receivable are as follows :

	Thousand Baht	
	2009	2008
Not yet due	59,389	234,885
Over due		
Less than 3 months	27,543	47,918
More than 3 months not over 6 months	-	4,939
More than 6 months not over 12 months	180	3,324
More than 12 months	3,542	-
Total	90,654	291,066
<u>Less</u> Allowance for doubtful accounts	(1,000)	-
Net	89,654	291,066

9. INVENTORIES

	Thousand Baht	
	2009	2008
Finished goods	33,091	15,343
Work in process	22,153	30,141
Raw materials and others	83,663	110,931
Goods in transit	23,377	91,481
Total	162,284	247,896
<u>Less</u> Allowance for obsolete inventories	(656)	(656)
Net	161,628	247,240

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. Loss from declining in valuation of raw materials is presented as a separate item in the statement of income.

10. 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 which import duty for raw materials have not been refunded received from Custom Department.

11. RESTRICTED DEPOSITS WITH BANKS

As at 31 December 2009 and 2008, the Company fixed and saving deposits totalling Baht 14.1 million and Baht 14.0 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.

12. PROPERTY, PLANT AND EQUIPMENT

	Thousand Baht				2009
	2008	Addition	Deduction	Transfer In (Out)	
Cost					
Land and improvements	104,017	12	-	-	104,029
Buildings and improvements	291,809	154	-	1,846	293,809
Machinery and equipment	347,429	3,990	1,748	16,163	365,834
Furniture, fixtures and office equipment	26,086	2,304	126	-	28,264
Vehicles	65,081	473	-	-	65,554
Machinery under installation and construction in progress	7,308	11,146	-	(18,009)	445
Total Cost	841,730	18,079	1,874	-	857,935
<u>Less: Accumulated Depreciation</u>					
Land improvements	31,197	40	-	-	31,237
Buildings and improvements	128,968	7,066	-	-	136,034
Machinery and equipment	176,911	18,309	457	-	194,763
Furniture, fixtures and office equipment	22,973	1,361	126	-	24,208
Vehicles	55,019	3,802	-	-	58,821
Total Accumulated Depreciation	415,068	30,578	583	-	445,063
Net	426,662				412,872
Depreciation Allocation					
Costs of goods sold	22,443				23,744
Selling and administrative expenses	6,003				6,834
Depreciation for the year	28,446				30,578

The above land, buildings, machinery and equipment have been mortgaged as collaterals for credit facilities as discussed in Notes 15 and 17 to the financial statements.

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 assets was lower than net book value, which was recognized as loss on impairment of assets in that year. However, the appraised value exceeds net book value, which presented as “Revaluation increment in land not used in operations” under shareholders’ equity in the balance sheets

During the year 2009, the Company hired an independent appraiser to re-appraise its assets at depreciation replacement cost. From the re-appraisal report, the Company adjusted its books of accounts by reducing the loss on impairment in the past had the new appraised value be higher than the former.

	Thousand Baht
Revaluation increment in land not used in operations – beginning of the year	159
<u>Plus</u> Revaluation increment during the year	1,500
Revaluation increment in land not used in operations – ending of the year	<u>1,659</u>
Loss on impairment of assets	6,667
Reversal of loss on impairment of assets	(5,357)
Loss on impairment of assets for the year	<u>1,310</u>

The above assets not used in operations have been mortgaged as collateral for credit facilities as discuss in notes 15 and 17 to the financial statements.

14. COMPUTER SOFTWARE

	Thousand Baht			
	2008	Increase	Decrease	2009
Cost	14,660	-	-	14,660
Accumulated amortization	10,262	2,932	-	13,194
Net book value	<u>4,398</u>			<u>1,466</u>
Amortization for the year	<u>2,932</u>			<u>2,932</u>

15. BANK OVERDRAFT AND LOANS FROM BANK

	Thousand Baht	
	2009	2008
Bank overdraft	17,275	16,595
Promissory notes	134,450	260,465
Liabilities under trust receipts	22,542	96,287
Short - term loans from bank	53,517	11,744
Total	227,784	385,091

The Company had credit facilities for bank overdraft and loan from bank totalling 480 million. The loans bear interest at the rates of 5.88 – 6.50 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 5.88 - 6.50 percent per annum.

16. SHORT – TERM LOANS FROM THIRD PARTIES

Short - term loans from third parties are use for working capital which bear interest at the rate of 10% per annum.

17. LONG – TERM LOANS UNDER DEBT RESTRUCTURING AGREEMENT

The outstanding balances of debts as at 31 December 2009 and 2008, under debt restructuring agreement and the new credit facilities and the repayment schedules are as follows :

	Thousand Baht	
	2009	2008
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
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)	391,900	416,900
Total	391,900	442,646
<u>Less</u> Portion due within one year	(53,000)	(56,805)
Net	338,900	385,841

On 27 June 2008, the Company obtained the approval for long - term loan from bank amounted to Baht 437.9 million to repay loan under the guarantee obligation for related company. Such loan from bank is collateralized by the mortgages of the Company's land, buildings and machinery, and additionally by the mortgage of the shareholder's land and some of director and the assignment of leasehold right of land to the bank, and the personal guarantee of the Company's director.

18. LIABILITIES UNDER FINANCIAL LEASES

	Thousand Baht	
	2009	2008
Liabilities under financial leases		
Due within one year	916	1,468
Due over 1 year but not later than 5 years	928	1,843
Total	1,844	3,311
<u>Less</u> Deferred interest	(214)	(362)
	1,630	2,949
<u>Less</u> Portion due within one year	(819)	(1,320)
Liabilities under financial leases – net	811	1,629

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

19. 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 2 to the financial statements. The Company had registered a share increment with Department of Business Development on 22 December 2008.

20. 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.

21. OTHER INCOME

Other income for the years ended 31 December 2009 and 2008 are as follows :

	Thousand Baht	
	2009	2008
Revenue from scrap sales	10,907	37,700
Freight revenue	3,695	4,668
Interest income	2,353	1,286
Gain on exchange rate	4,866	-
Others	3,420	3,463
Total	25,241	47,117

22. INCOME TAX

	Thousand Baht	
	2009	2008
Net income	383,490	480,053
Income tax	-	46,927
Net income before tax	383,490	526,980
<u>Add</u> Items not yet allowable as expenses under Revenue Code	6,276	2,599
<u>Less</u> Reversal of doubtful debt and additional deductible expenses according to Revenue code	(475,245)	(319,725)
Loss carried forward	-	(22,145)
Net taxable income (loss)	(85,479)	187,709
Income tax for the year	-	46,927

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 for accounting periods 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 25% of taxable income.

23. SEGMENTAL FINANCIAL INFORMATION

Segmental financial information for the years ended 31 December 2009 and 2008 are as follows :

	Thousand Baht					
	2009			2008		
	Domestic	Export	Total	Domestic	Export	Total
Net sales	132,134	1,056,183	1,188,317	569,508	2,218,259	2,787,767
Cost of sales	(148,046)	(841,895)	(989,941)	(376,289)	(1,849,074)	(2,225,363)
Gross Margin (loss)	(15,912)	214,288	198,376	193,219	369,185	562,404
Other income			25,241			47,117
Reversal of doubtful debt under guarantee obligation			467,561			312,100
Selling expenses			(130,540)			(158,556)
Administrative expenses			(98,654)			(131,652)
Executive compensation			(37,457)			(37,656)
Loss from downward adjustment of inventories			-			(37,268)
Financial expense			(41,037)			(29,509)
Income tax			-			(46,927)
Net Income			383,490			480,053
Trade accounts receivable – net			89,654			291,066
Property, plant and equipment – net			412,872			426,662
Other assets			231,833			364,634
Total assets			734,359			1,082,362

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.

24. EXPENSES BY NATURE

Significant expenses by nature are as follows :

	Thousand Baht	
	2009	2008
Salary and wages and other employee benefits	175,041	169,900
Depreciation	30,578	28,446
Amortisation	2,932	2,932
Loss on exchange rate	-	21,554
Loss from downward adjustment of inventories	-	37,268
Rental expenses	3,120	3,130
Raw materials and consumable used	730,757	1,999,618
Changes in inventories of finished goods and work in progress	58,344	(34,068)

25. CONTINGENT LIABILITIES AND COMMITMENTS

- a) As at 31 December 2009, 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 31.0 million. The Company does not expect to incur liability on such guarantee.
- b) As at 31 December 2009, 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 2009, 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.

26. 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

The Company has foreign currency risk exposure relating to purchases denominated in foreign currencies. As at 31 December 2009 and 2008, the Company has unhedged assets and liabilities in foreign currency as follows :

	Thousand	
	2009	2008
<u>Assets in foreign currency</u>		
US Dollar	1,874	6,163
EURO	432	613
<u>Liabilities in foreign currency</u>		
US Dollar	483	3,350
EURO	58	53

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 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, loans from bank, and 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 market rate - the carrying value approximates their fair values.

27. RECLASSIFICATION

Certain accounts in the balance sheet as at 31 December 2008 and the statement of income for the year ended 31 December 2008 have been reclassified to conform with the presentation in the financial statement for year ended 31 December 2009.

The reclassifications have been made to comply with the classification according to pronouncement of the Department of Business Development for the determinations of items in the financial statements B.E. 2552 dated 30 January 2009.

28. SUBSEQUENT EVENT

At the meeting of the Company's board of directors No. 1/2010 on 22 February 2010, the board passed a resolution approving the increase of registered share capital of Baht 266.67 million, from Baht 266.67 million (divided into 26.67 million ordinary shares with a par value of Baht 10 each) to Baht 533.33 million (divided into 53.33 million ordinary shares with a par value of Baht 10 each). This increase in share capital shall be offered to existing shareholders at the ratio 1:1 at is Baht 10 per share. This will be proposed for ratification in the next General Shareholders Meeting.

29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's Board of directors on 22 February 2010.