

SIAM STEEL SERVICE CENTER PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2009 AND 2008

1. GENERAL

Siam Steel Service Center Public Company Limited, the “Company”, is a company registered in Thailand and listed on the Stock Exchange of Thailand. The Company is engaged in the manufacturing of accessories made from steel, building structures and steel cutting services. The registered office of the Company is at the following addresses :

- a) Factory 1 : 51/3 Poochao - Samingprai Road, Tumbon Bangyaparak, Amphur Phrapradeang, Samutprakarn
- b) Factory 2 : 51/11 Poochao - Samingprai Road, Tumbon Bangyaparak, Amphur Phrapradeang, Samutprakarn
- c) Factory 3 : 60/6 Moo 3, Tumbon Mabyangporn, Amphur Pluakdeang, Rayong

2. BASIS OF FINANCIAL STATEMENT PREPARATION AND CONSOLIDATION

2.1 The consolidated financial statements include the financial statements of Siam Steel Center Public Company Limited and its 90% owned subsidiary (Siam Steel Vietnam Co., Ltd.), and have been prepared on the same basis as applied for the financial statements for the year ended 31 December 2008.

2.2 The percentage of subsidiary’s assets as at 31 December 2009 and 2008 and total revenues for the years ended 31 December 2009 and 2008, included in the consolidated financial statements, are as follows :

	Percentage of subsidiary’s total assets to consolidated total assets		Percentage of subsidiary’s total revenues to consolidated total revenues	
	As at 31 December		For the years ended 31 December	
	2009	2008	2009	2008
<u>Subsidiary company</u>				
Siam Steel Vietnam Co., Ltd.	2.22	1.78	2.10	1.17

2.3 Significant outstanding balances and transactions with subsidiary included in the consolidated financial statements have been eliminated.

2.4 The consolidated financial statements have been prepared with the same accounting policies as for the separate financial statements for the same accounting transactions or accounting events.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Financial Statement Preparation

The accompanying financial statements have been prepared in accordance with the generally accepted accounting principles issued under the Accounting Act B.E. 2543 and the Federation of Accounting Professions Act B.E. 2547 and the regulations promulgated by the Securities Exchange Commission and the Stock Exchange of Thailand concerning the preparation and disclosure of financial information under the Securities Exchange Act B.E. 2535.

The financial statement are officially prepared in accordance with statutory requirement and in Thai language in accordance with accounting standards enumerated under the Accounting Profession Act B.E. 2547. The translation of these financial statements to other language must be based on the Thai version.

The financial statements have been prepared on a historical cost basis except as, otherwise, disclosed specifically.

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

The Federation of Accounting Professions has issued the 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.

3.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid cash in banks (without restriction for usage) that are readily convertible to cash on maturity date with insignificant risk of change in value.

3.3 Trade and other receivables

Trade and other receivables are stated at their invoice value less allowance for doubtful accounts.

Allowance for doubtful accounts is assessed primarily on analysis of payment history and future expectations of customer payments. Provisions are based on historical write-off patterns and the aging of accounts receivable. Bad debts are written off at the conclusion of the management consideration.

3.4 Unbilled accrued income /Advances from customers

The recognized revenues which have not yet been due as per contracts is presented as “Unbilled accrued income” in the balance sheet. The instalment amounts due and received according to the contracts but not yet recognized as revenue is presented as “Advances from customers” in the balance sheet.

3.5 Inventories

Inventories are stated at the lower of cost or net realizable value.

Cost is calculated by the following methods :

- Finished goods and work in process - at the aggregate cost of raw materials plus the systematic estimated direct labor and overhead, which approximates actual costs.
- Raw materials - at cost (specific identification method).
- Spare parts and supplies - at cost (first-in, first-out method).

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

An allowance is made for all deteriorated, damaged, and slow-moving inventories.

3.6 Advances for purchases of inventories for customers

Advances for purchases of imported raw materials, which the Company has imported in the name of specific customers for the production of specific products for customers for re-export under 19 bis, is presented as “Advances for purchases of inventories for customers” in the balance sheet.

3.7 Investments in related companies

Investment in subsidiary and investments in non-marketable securities held as general investments are valued at cost in separate financial statements of the Company. The Company makes the adjustment to devalue those investments when there is an indication of impairment.

3.8 Property, plant and equipment

Owned assets

Land and buildings acquired prior to 1997 are stated at the revalued amount net of accumulated depreciation (except for land which is not subject to depreciation), whereas land and buildings acquired subsequent to 1997 are stated at cost less accumulated depreciation (except for land which is not subject to depreciation) and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor, the initial assessment of the costs of dismantling (if relevant) and an appropriate proportion of production overheads.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts, and any gain or loss resulting from their disposal is included in the statement of income.

Revalued assets

The Company regularly re-evaluate its assets values to ensure that the carrying amounts of those assets do not differ materially from fair values at the balance sheet date.

Any increase in value, on revaluation, is credited to the revaluation increment net off a previous decrease in value recognized in the statement of income. A decrease in value is recognized in the statement of income to the extent it exceeds an increase previously recognized in the revaluation increment. The revaluation increment is amortized by reference to the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. This difference is transferred from revaluation increment directly to retained earnings. Upon disposal, any remaining related revaluation surplus is transferred from the revaluation increment to the statement of income and is taken into account in calculating the gain or loss on disposal.

Capital expenditure

Capital expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that the future economic benefits will exceed the amount originally assessed for the existing asset, will flow to the Company. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Depreciation

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of each item of assets as follows :

	Number of years
Buildings and improvements	5 and 20
Machinery and equipment	5 and 10
Furniture, fixtures and office equipment	5
Transportation equipment	5

Borrowing costs

The Company capitalizes borrowing costs on credit acquired for the construction of factories and machinery under installation. The capitalization of borrowing costs is discontinued when the factory construction and machine installation are completed and ready for their intended use. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

3.9 Impairment of assets

The carrying amounts of the Company's assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income.

3.10 Revenue recognition

Sales of goods and installation income

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

As soon as the outcome of a contract for installation can be reliably estimated, revenue associated with the contract is recognized in the statement of income in proportion to the stage of completion of the contract. The percentages of completion are determined by the Company's engineers coupled with the computation from actual costs to total estimated costs. Costs of the project work are recognized as incurred on an accrual basis. When the outcome of the contract cannot be reliably estimated, revenue is recognized only to the extent of expenses recognized that are recoverable.

3.11 Other income and expenses recognition

Interest income is recognized in the statement of income on an accrual basis. Dividend income is recognized in the statement of income on the date the entity's right to receive payment is ascertained which is based generally on the ex-dividend date for quoted securities.

Interest expense and similar costs are charged to the statement of income in the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

3.12 Foreign currency transactions

Transactions in foreign currencies are translated into Baht at the foreign exchange rates ruling at the date of the transaction. Transaction in foreign currency covered by forward exchange contracts are recorded at forward exchange rates. The forward premium cost is deferred and amortized to income or expense by the straight-line method over the terms of the forward exchange contracts.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Thai Baht at the exchange rates ruling at that date. Foreign exchange differences arising on the translation are recognized in the statement of income.

Financial Statements of Foreign Subsidiary

The financial statements of a subsidiary in foreign currency are translated into Baht for consolidation as follows :

Asset and liabilities	- At closing rate
Share capital	- At the rate the transaction is executed
Income and expense	- At average rate of exchange during the year
Cumulative translation adjustments	- Shown under shareholder's equity in the consolidated financial statements

The above rates should not be construed that all assets, liabilities, income and expenses can be actually realized at those rates.

3.13 Employee benefits

Salary, wages, bonuses and contributions to the social security fund and provident fund are recognized as expenses on an accrual basis.

3.14 Income tax

The Company computes income tax (if any) based on the provision of the Revenue Code.

3.15 Basic Earnings per Share

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

3.16 Financial instruments

Financial assets shown in balance sheet comprise cash, cash at banks, and investments. Financial liabilities shown in balance sheets composed of bank overdraft, accounts payable and borrowings. The accounting policy of each items is disclosed in separate items.

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

4.1 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.

4.1.1 Impairment of receivables

The Company accounts for allowance for doubtful accounts equal to the estimated collection losses that may be incurred in the collection of receivables. The estimated losses are based on historical collection experience couple with a review of outstanding receivables aging at the balance sheet date.

4.1.2 Allowance for slow-moving and defective inventories

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

4.1.3 Property, plant and equipment and intangible assets

Management determines the estimated useful lives and residual values for the Company's property, plant and equipment and intangible assets. Management will revise the depreciation 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.

4.2 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. TRADE ACCOUNTS RECEIVABLE - NET

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

	(Unit : Thousand Baht)			
	CONSOLIDATED F/S		SEPARATE F/S	
	2009	2008	2009	2008
<u>Trade accounts receivable - general customers</u>				
Current	835,880	1,211,965	835,880	1,211,965
Overdue :				
Less than 3 months	35,586	48,157	27,618	35,820
3 months - 6 months	9,118	9,550	9,118	6,707
6 months - 12 months	24,493	8,094	24,493	7,907
Over 12 months	47,466	52,443	47,466	50,399
Total	<u>952,543</u>	<u>1,330,209</u>	<u>944,575</u>	<u>1,312,798</u>
<u>Less</u> Allowance for doubtful debts	(25,394)	(34,671)	(25,394)	(34,671)
Net	<u>927,149</u>	<u>1,295,538</u>	<u>919,181</u>	<u>1,278,127</u>

The Company does not set up full allowance for past due trade accounts receivable over 12 months because most of those are under installment payments or covered by collateralized assets to guarantee the payments. Should the Company not be able to collect the payments from customers, it can confiscate such assets. From the Company's assessment, collateralized assets have values worth more than the outstanding receivables.

	(Unit : Thousand Baht)			
	CONSOLIDATED F/S		SEPARATE F/S	
	2009	2008	2009	2008
<u>Trade accounts receivable - related companies</u>				
Current	83,025	90,731	84,938	104,073
Overdue :				
Less than 3 months	899	187	1,783	3,906
3 months - 6 months	2	7,306	4,759	22,611
6 months - 12 months	-	4,788	7,325	19,176
Over 12 months	-	-	-	-
Total	<u>83,926</u>	<u>103,012</u>	<u>98,805</u>	<u>149,766</u>

6. TRANSACTIONS WITH RELATED COMPANIES

A portion of the Company's assets, liabilities, revenues, costs and expenses arose from transactions with related companies which are related through common shareholding and/or directorship. These financial statements reflect the effects of significant transactions with related companies in the normal course of business, based on market prices or based on the basis mutually agreed, if those transactions do not have comparative market prices.

Siam Steel Service Center PLC. is an associated company of Okaya & Co., Ltd., Japan (28 percent shareholder). Okaya & Co., Ltd. is a dealer for steel, machinery, pipe and chemical products. It has no marketing or customer bases or running the same business as the Company in Thailand.

The bases for the determination of major transactions with related companies are summarized as follow :

	Basis of Pricing
Sales	Comparable market prices
Service and other income	Comparable market prices
Purchases of raw materials	Comparable market prices
Expenses and other purchases	Comparable market prices
Interest expense	Interest rate at prime rate + 0.5% per annum and without collateralized (Yen currency)
Purchases of fixed assets	Negotiated

The significant transactions with related companies for the years ended 31 December 2009 and 2008 are as follows :

	(Unit : Thousand Baht)			
	CONSOLIDATED F/S		SEPARATE F/S	
	2009	2008	2009	2008
Sales	179,321	370,953	194,947	414,911
Service and other income	29,334	36,034	29,334	36,034
Rental income	4,051	1,811	4,051	1,811
Purchases of raw materials	1,417,296	5,318,887	1,417,296	5,318,887
Purchases of fixed assets	14,368	2,631	14,368	2,631
Expenses and other purchases	3,499	4,899	3,499	4,899
Interest expense	-	112	-	112

As at 31 December 2009 and 2008, the account balances with related companies are as follows :

	(Unit : Thousand Baht)			
	CONSOLIDATED F/S		SEPARATE F/S	
	2009	2008	2009	2008
<u>Trade accounts receivable – related companies</u>				
<u>Subsidiary company</u>				
Siam Steel Vietnam Co., Ltd.	-	-	14,879	46,754
 <u>Related companies</u>				
Union Auto Parts Manufacturing Co., Ltd.	68,328	84,432	68,328	84,432
Panasonic Electric Works Steel (Thailand) Co., Ltd.	8,818	1,331	8,818	1,331
Siam Nippon Steel Pipe Co., Ltd.	4,470	1,142	4,470	1,142
Siam Steel International Public Company Limited	1,822	3,273	1,822	3,273
OKAYA & Co., Ltd.	-	12,600	-	12,600
Others	488	234	488	234
Total	<u>83,926</u>	<u>103,012</u>	<u>98,805</u>	<u>149,766</u>
 <u>Amounts due from related companies</u>				
<u>Subsidiary company</u>				
Siam Steel Vietnam Co., Ltd.	-	-	1,146	1,201
 <u>Related companies</u>				
OKAYA & Co., Ltd.	7,777	8,140	7,777	8,140
Siam Suriya Co., Ltd.	447	80	447	80
Other	-	2	-	2
Total	<u>8,224</u>	<u>8,222</u>	<u>9,370</u>	<u>9,423</u>
 <u>Trade accounts payable – related companies</u>				
OKAYA & Co., Ltd.	114,555	171,021	114,555	171,021
Siam Suriya Co., Ltd.	13,941	5,013	13,941	5,013
Others	939	1,489	939	1,489
Total	<u>129,435</u>	<u>177,523</u>	<u>129,435</u>	<u>177,523</u>

7. INVENTORIES – NET

	(Unit : Thousand Baht)			
	CONSOLIDATED F/S		SEPARATE F/S	
	2009	2008	2009	2008
Finished goods	119,825	134,634	119,825	134,634
Work in process	72,737	111,422	71,895	97,728
Raw materials	659,850	1,919,399	643,402	1,905,347
Spare parts and supplies	41,565	42,783	41,300	42,562
Raw materials in transit	90,635	128,637	90,598	127,432
Total	984,612	2,336,875	967,020	2,307,703
<u>Less</u> Provision for decline in value of inventories	(8,534)	(107,720)	(8,534)	(107,720)
Net	976,078	2,229,155	958,486	2,199,983

During the period 2009, the decline in the market prices of steel has been gradually recovered. This has a positive effect to the Company's inventories on hand. Accordingly, the Company reversed the allowance for decline value in its inventories by Baht 99.19 million for the years ended 31 December 2009.

8. INVESTMENTS IN RELATED COMPANIES – NET

Company	Type of business	(Unit : Thousand Baht)						
		Percentage of holding		Paid up share capital	Consolidated F/S		Separate F/S	
		2009	2008		2009	2008	2009	2008
<u>Investment in subsidiary company</u>								
Siam Steel Vietnam Co., Ltd.	Manufacturing and sale of roll-formed steel products for automobile, construction, furniture and electronics industries	90.00	90.00	26,698	-	-	24,029	24,029
<u>Investment in related company</u>								
Siam Nippon Steel Pipe Co., Ltd.	Manufacturing and distribution of steel pipe for automobile and semi manufacturing industry	0.30	0.30	779,250	2,355	2,355	2,355	2,355
Total investments in related companies – at cost					2,355	2,355	26,384	26,384
<u>Less</u> Allowance for impairment of investments					(1,413)	(1,413)	(1,413)	(1,413)
Net					942	942	24,971	24,971

9. PROPERTY, PLANT AND EQUIPMENT – NET

(Unit : Thousand Baht)

CONSOLIDATED F/S					
	2008	Increase	Decrease	Transfer	2009
At Cost					
Land - at cost	405,548	-	-	-	405,548
Land - Revaluation increment	330,421	-	-	-	330,421
Buildings and improvements - at cost	627,701	5,160	-	19,462	652,323
Buildings and improvements - Revaluation increment	58,706	-	-	-	58,706
Machinery and equipment	925,860	26,041	11,686	20,459	960,674
Furniture, fixtures and office equipment	99,373	4,105	970	-	102,508
Transportation equipment	54,160	2,170	1,614	2,645	57,361
Construction in progress	13,142	5,860	-	(18,454)	548
Machinery under installation	2,455	24,098	-	(24,112)	2,441
Total	<u>2,517,366</u>	<u>67,434</u>	<u>14,270</u>	<u>-</u>	<u>2,570,530</u>
Less Accumulated Depreciation					
Buildings and improvements - at cost	298,100	28,671	-	-	326,771
Buildings and improvements - Revaluation increment	55,488	1,755	-	-	57,243
Machinery and equipment	505,425	54,247	10,482	-	549,190
Furniture, fixtures and office equipment	80,286	7,298	867	-	86,717
Transportation equipment	48,116	2,972	1,583	-	49,505
Total	<u>987,415</u>	<u>94,943</u>	<u>12,932</u>	<u>-</u>	<u>1,069,426</u>
Property, Plant and Equipment - net	<u>1,529,951</u>				<u>1,501,104</u>
<u>Less</u> Allowance for impairment of buildings	(18,991)	-	2,188	-	(16,803)
Property, Plant and Equipment - net	<u>1,510,960</u>				<u>1,484,301</u>

(Unit : Thousand Baht)

SEPARATE F/S					
	2008	Increase	Decrease	Transfer	2009
At Cost					
Land – at cost	405,548	-	-	-	405,548
Land – Revaluation increment	330,421	-	-	-	330,421
Buildings and improvements – at cost	627,701	5,159	-	2,312	635,172
Buildings and improvements - Revaluation increment	58,706	-	-	-	58,706
Machinery and equipment	920,961	26,393	11,670	21,467	957,151
Furniture, fixtures and office equipment	99,373	4,105	970	-	102,508
Transportation equipment	54,160	2,170	1,614	2,645	57,361
Construction in progress	813	2,047	-	(2,312)	548
Machinery under installation	2,455	24,098	-	(24,112)	2,441
Total	<u>2,500,138</u>	<u>63,972</u>	<u>14,254</u>	<u>-</u>	<u>2,549,856</u>
Less Accumulated Depreciation					
Buildings and improvements – at cost	298,100	28,393	-	-	326,493
Buildings and improvements - Revaluation increment	55,488	1,755	-	-	57,243
Machinery and equipment	504,446	53,683	10,482	-	547,647
Furniture, fixtures and office equipment	80,286	7,298	867	-	86,717
Transportation equipment	48,116	2,973	1,584	-	49,505
Total	<u>986,436</u>	<u>94,101</u>	<u>12,932</u>	<u>-</u>	<u>1,067,605</u>
Property, Plant and Equipment – net	<u>1,513,702</u>				<u>1,482,251</u>
<u>Less</u> Allowance for impairment of buildings	(18,991)	-	2,188	-	(16,803)
Property, Plant and Equipment - net	<u>1,494,711</u>				<u>1,465,448</u>

The revaluation increment in land and buildings, net of accumulated depreciation, of approximately Baht 331.88 million and Baht 333.64 million at 31 December 2009 and 2008, respectively, was recorded as “Revaluation increment in the value of land and buildings - net” included as part of “Shareholders’ equity” in the balance sheet. The revaluation increment in land and buildings of the Company is not available for dividend distribution.

Depreciation charged to the manufacturing costs and administrative expenses during 2009 and 2008 amounting to Baht 93.12 million and 87.22 million, for consolidated financial statements, and to Baht 91.91 million and Baht 86.40 million, during 2009 and 2008, respectively, for the Company’s separate financial statements.

As of 31 December 2009 and 2008, the consolidated and separate financial statements include fully depreciated assets but still in use with total cost of Baht 648.06 million and Baht 589.10 million, respectively.

10. ASSETS NOT USED IN OPERATIONS

	(Unit : Thousand Baht)			
	CONSOLIDATED F/S		SEPARATE F/S	
	2009	2008	2009	2008
Land not used in operations	15,950	15,950	15,950	15,950
Land - not used in operations	1,543	1,543	1,543	1,543
Total	<u>17,493</u>	<u>17,493</u>	<u>17,493</u>	<u>17,493</u>

The Company’s management has regularity to review the impairment of the above land and has not noted any impairment indication.

11. BANK OVERDRAFTS AND SHORT - TERM LOANS FROM FINANCIAL INSTITUTIONS

	(Unit : Thousand Baht)			
	CONSOLIDATED F/S		SEPARATE F/S	
	2009	2008	2009	2008
Bank overdrafts	-	5,946	-	5,946
Liabilities under trust receipts	485,396	1,290,392	485,396	1,290,392
Short - term loans	1,130,983	2,106,394	1,130,983	2,106,394
Total	<u>1,616,379</u>	<u>3,402,732</u>	<u>1,616,379</u>	<u>3,402,732</u>

As at 31 December 2009 and 2008, the Company has overdraft lines with banks totalling Baht 282 million and 252.5 million, respectively. The interest rates are ranging from 5.85% to 10.75% per annum in 2009 and 6.75% to 10.75% per annum in 2008.

Under the terms of the agreements covering liabilities under trust receipts, certain imported inventories have been released to the Company in trust for the banks. The Company is accountable to the banks for such inventories or their sales proceeds. Liabilities under trust receipts bear interest rates ranging from 2.30% to 3.60% per annum in 2009 and 4.51% to 6.25% per annum in 2008.

Short - term loans from foreign banks and local bank bear interest at rates ranging from 1.80% to 2.90% per annum in 2009 and 4.70% to 5.75% per annum in 2008 without collateral or guarantee.

12. LONG – TERM LOANS

	(Unit : Thousand Baht)			
	CONSOLIDATED F/S		SEPARATE F/S	
	2009	2008	2009	2008
Outstanding balance	10,090	10,778	-	-
Less : Current portion	(5,045)	-	-	-
Net	5,045	10,778	-	-

As at 31 December 2009 and 2008, the subsidiary company has an outstanding long - term loans from a local bank in Vietnam totalling VND 2,000 million and USD 0.18 million that bear interest at 17.75% and 5.95% per annum, respectively. Those are collateralized by land, lease right, building and machine of the subsidiary company. These loans will be repayable quarterly and matured for settlement in November 2011.

13. ACCRUED DUTY FEES AND PENALTIES

During the year 2005, the Company received duty fees assessment from the Custom Department for the misuse of import duty rates for the importation of cold rolled electrical steel during the years 1995 to 2002. The Company therefore set up a provision for such import duty together with the estimated penalty and surcharges totalling Baht 32.98 million in the account. However, during the year 2008 and 2007, with the consent of the Custom Department, the Company paid for the mis-filing import duty, and Value Added Tax with penalty and surcharges, totalling Baht 10.15 million and Baht 20.96 million of the assessed amount, respectively.

On 10 March 2009, the Assessment Committee has issued the letter to dismiss the assessment on the Company in accordance with the Custom Act B.E. 2469, Section 102 bis.

14. SHARE CAPITAL AND APPROPRIATION OF DIVIDEND

At the Ordinary Shareholders' Meeting held on 30 April 2009, the shareholders passed the resolutions to decrease the capital, and increase the capital and to pay dividends as follows:

- 14.1 To decreased its registered share capital by canceling 9 unissued shares at Baht 10 par value, totaling Baht 90 from the existing registered share capital of Baht 480,000,000 to Baht 479,999,910 (divided into 47,999,991 common shares at Baht 10 par value)
- 14.2 To increase the Company's authorized share capital by Baht 159,999,970 from Baht 479,999,910 (divided into 47,999,991 shares at Baht 10 par value) to Baht 639,999,880 (divided into 63,999,988 shares at Baht 10 par value), to reserve for stock dividend payment to existing shareholders of the Company.
- 14.3 To pay dividend from the net profit for the year ended 31 December 2008 for 47,999,991 common shares totaling Baht 235,359,954 by dividing into 2 categories as follows:
 - 1) Stock dividend at the ratio of 3 existing share to 1 stock dividend totalling Baht 159,997,970.
 - 2) Cash dividend at the rate of Baht 1.57 per share totalling Baht 75,361,984.

The Company had already registered the decrease and increase in share capital with the Ministry of Commerce on 4 May 2009 and 6 May 2009, respectively.

15. LEGAL RESERVE

Under the provisions of the Limited Public Company Act, B.E. 2535, the Company is required to appropriate at least 5% of its annual net income, after deduction of the deficit (if any), as a legal reserve until the reserve reaches 10% of authorized share capital. The legal reserve is not available for dividend distribution.

16. EXPENSES BY NATURE

Significant expenses by nature are as follows :

	(Unit : Thousand Baht)			
	CONSOLIDATED F/S		SEPARATE F/S	
	2009	2008	2009	2008
Raw materials and supplies used	2,870,148	4,737,359	2,849,757	4,723,450
Changes in inventories of finished goods and work in progress	67,583	5,878	62,727	16,783
Salary, wages and other employee benefits	278,267	324,833	271,518	320,297
Depreciation and amortization	93,104	87,237	91,974	86,399
Rental expense	5,283	6,529	4,895	6,421
Printing and stationary expenses	4,667	6,525	4,461	6,398
Repair and maintenance expenses	21,871	32,408	21,829	32,367
Subcontractor fee	62,906	103,601	62,906	103,601
Utility expenses	21,640	24,474	21,272	24,128
Packaging expense	25,534	54,672	25,534	54,672
Fuel expense	16,245	19,579	16,243	19,579
Transportation expenses	82,909	134,714	78,555	130,692
Hire of work	13,134	25,330	5,517	16,201
Travelling expense	13,330	17,409	13,330	17,409
Entertainment expense	11,318	16,468	11,048	16,321
Provision (reversal of provision) for decline in value of inventories	(99,186)	102,748	(99,186)	102,748
Bad debt	3,847	26,032	3,847	26,032
Reversal of allowance for doubtful account	(10,658)	(22,050)	(10,658)	(22,050)
Insurance expenses	4,648	4,539	4,260	4,249
Others	26,476	36,659	21,006	34,249
Total	<u>3,513,066</u>	<u>5,744,944</u>	<u>3,460,835</u>	<u>5,719,946</u>
Costs of sales and services	3,387,511	5,342,042	3,342,316	5,322,954
Expenses	125,555	402,902	118,519	396,992
Total	<u>3,513,066</u>	<u>5,744,944</u>	<u>3,460,835</u>	<u>5,719,946</u>

17. OTHER INCOME

	(Unit : Thousand Baht)			
	CONSOLIDATED F/S		SEPARATE F/S	
	2009	2008	2009	2008
Import duty refunded	3,930	6,223	3,930	6,223
Claim for damaged steel	7,819	4,175	7,819	4,175
Gain from disposal of assets	241	829	257	2,995
Others	12,894	20,673	12,081	20,298
Total	<u>24,884</u>	<u>31,900</u>	<u>24,087</u>	<u>33,691</u>

18. MANGEMENT'S REMUNERATION

Managements' remuneration represent both monetary and other benefits paid to management including 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 been approved at the Company Annual General Meeting.

19. REGISTERED PROVIDENT FUND

The Company has established a contributory registered provident fund in accordance with the Provident Fund Acts B.E. 2530 and 2542. Under the plan, the Company and employees contribute to the Fund at a percentage of the employees' basic salaries. The employees are entitled to receive the Company's contribution upon resignation from the Company after completion of one year of service according to the specified contribution rates. The Company's contribution for the years 2009 and 2008, which was charged to operations, amounted to Baht 4.60 million and Baht 4.60 million, respectively.

20. INCOME TAX

	(Unit : Thousand Baht)			
	CONSOLIDATED F/S		SEPARATE F/S	
	2009	2008	2009	2008
Net income:	122,639	459,099	97,027	454,843
Corporate income tax	-	132,000	-	132,000
Net income before corporate income tax	<u>122,639</u>	<u>591,099</u>	<u>97,027</u>	<u>586,843</u>
<u>Add</u> Provision for decline in value of inventories	-	102,748	-	102,748
Add-back items under the Revenue Code	3,549	17,255	3,549	17,255
<u>Less</u> Reversal of provision for decline in value of inventories	(99,186)	-	(99,186)	-
Reversal of allowance for doubtful accounts	(10,658)	(27,354)	(10,658)	(27,354)
Other tax exempted income	(3,086)	(4,345)	(3,086)	(4,345)
Net taxable income	<u>13,258</u>	<u>679,403</u>	<u>(12,354)</u>	<u>675,147</u>
Corporate Income tax	-	132,000	-	132,000

The corporate income tax for the year ended on 31 December 2009 is computed in accordance with the order of the Royal Decree No. 475 at 25% for taxable net income not exceeding Baht 300 million. Net taxable income in excess of Baht 300 million is subject to a tax rate at 30%.

The consolidated financial statement for the year ended 31 December 2009 shows net profit of Baht 13.26 million but not have tax accrual because the subsidiary company is granted with certain promotional privileges under the Law on Foreign Investment in Vietnam that include exemption from payment of corporate income tax for a period of three years from the date it generated net taxable income and exemption for 50% from payment of corporate income tax for a period of seven years thereafter.

21. FINANCIAL INSTRUMENTS

As at 31 December 2009, the Company has neither engaged in nor has any outstanding off-balance sheet transactions concerning speculation in or trading of derivatives.

21.1 Interest rate risk

As at 31 December 2009 and 2008, the Company has financial assets and financial liabilities with exposure to interest rate risk as follows :

		(Unit : Thousand Baht)			
		2009			
		CONSOLIDATED F/S			
		In Thousand Baht		Average interest rate (%)	
		Floating	Fixed	Floating	Fixed
		Interest Rate	Interest Rate	Interest Rate	Interest Rate
Deposits with financial institutions		113,692	2,176	0.79	0.50
Bank overdrafts and short - term loans from financial institutions		102,236	1,517,379	5.06	2.62

		(Unit : Thousand Baht)			
		2008			
		CONSOLIDATED F/S			
		In Thousand Baht		Average interest rate (%)	
		Floating	Fixed	Floating	Fixed
		Interest Rate	Interest Rate	Interest Rate	Interest Rate
Deposits with financial institutions		151,516	23	0.92	1.75
Bank overdrafts and short - term loans from financial institutions		325,146	3,077,586	6.81	4.82

(Unit : Thousand Baht)

2009

	SEPARATE F/S			
	In Thousand Baht		Average interest rate (%)	
	Floating	Fixed	Floating	Fixed
	Interest Rate	Interest Rate	Interest Rate	Interest Rate
Deposits with financial institutions	81,816	-	0.25	-
Bank overdrafts and short - term loans from financial institutions	102,236	1,517,379	5.06	2.62

(Unit : Thousand Baht)

2008

	SEPARATE F/S			
	In Thousand Baht		Average interest rate (%)	
	Floating	Fixed	Floating	Fixed
	Interest Rate	Interest Rate	Interest Rate	Interest Rate
Deposits with financial institutions	125,395	23	0.92	1.75
Bank overdrafts and short - term loans from financial institutions	325,146	3,077,586	6.81	4.82

21.2 Foreign exchange risk

The Company enters into foreign exchange contracts to managing exchange risk resulting from cash flows from operating activities denominated in foreign currencies. The impact of these hedging transactions is shown as part of financial charges, included in selling and administrative expenses, in the statement of income.

As at 31 December 2009, the Company has liabilities under trust receipts which are denominated in foreign currencies that are not covered by any hedging agreement amounting to U.S. Dollars 3.05 million, Japanese Yen 33.63 million and Euro 0.01 million.

21.3 Credit risk

Credit risk is the risks that counterparty are unable or unwilling to meet a commitment that they entered into with the Company. This risk is controlled by the application of credit approvals, limits and monitoring procedures. The maximum credit risk exposure is the book value of receivables after deduction of allowance for doubtful accounts as presented in the balance sheet.

21.4 Fair value

The Company uses the following methods and assumptions to estimate the fair value of financial instruments :

- Deposits with financial institutions, accounts receivable - trade, unbilled receivables, bank overdrafts and short - term loans from financial institutions, notes payable and accounts payable - trade - the fair values are based on the carrying value in the balance sheet due to relatively short - term maturity.
- Long - term loan - the fair value is based on carrying value due to the floating interest rate of the loan.

22. LEASE AGREEMENT

The subsidiary has existing lease agreement covering the land premises in Vietnam for a period of 46 years commencing 2 August 2006 to 15 September 2052 with annual rental of U.S. Dollars 2,826 and annual maintenance and industrial service cost totaling U.S. Dollars 1,000.

23. COMMITMENTS

As at 31 December 2009, the Company:

- 23.1 Had commitment to deliver products and services under a contract for installation approximately of Baht 143.44 million.
- 23.2 Had outstanding guarantees of approximately Baht 12.63 million, issued by financial institutions on behalf of the Company, in respect of certain performance bonds required in the normal course of businesses of the Company.
- 23.3 Had unused letters of credit in foreign currencies equivalent to approximately Baht 2.74 million.

24. RECLASSIFICATION

Certain amounts in the statement of income for the years ended 31 December 2008 have been reclassified to conform with the presentation in the financial statements 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.

25. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the directors of the Company on 26 February 2010.