

ADVANCED INFORMATION TECHNOLOGY PUBLIC COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2005 AND 2004

Report of Independent Auditor

To the Board of Directors and Shareholders of
Advanced Information Technology Public Company Limited

I have audited the balance sheets of Advanced Information Technology Public Company Limited as at 31 December 2005 and 2004 and the related statements of earnings, 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 the 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 Advanced Information Technology Public Company Limited as at 31 December 2005 and 2004 and the results of its operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

Supachai Phanyawattano
Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited
Bangkok: 20 February 2006

ADVANCED INFORMATION TECHNOLOGY PUBLIC COMPANY LIMITED

BALANCE SHEETS

AS AT 31 DECEMBER 2005 AND 2004

(Unit: Baht)

	<u>Note</u>	<u>2005</u>	<u>2004</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		67,977,476	60,237,844
Trade accounts receivable - net	3	555,317,222	574,010,708
Unbilled receivable		34,300,000	-
Work in progress		232,534,610	123,033,376
Inventories - net	4	50,422,130	32,115,436
Other current assets		7,791,170	5,859,612
TOTAL CURRENT ASSETS		<u>948,342,608</u>	<u>795,256,976</u>
NON-CURRENT ASSETS			
Restricted bank deposits	15.2	92,487,478	86,076,975
Building improvement and equipment - net	5	23,852,219	22,884,555
Equipment held for lease - net	6	367,909,703	361,565,452
Other non-current assets		4,719,913	3,915,466
TOTAL NON-CURRENT ASSETS		<u>488,969,313</u>	<u>474,442,448</u>
TOTAL ASSETS		<u><u>1,437,311,921</u></u>	<u><u>1,269,699,424</u></u>

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

ADVANCED INFORMATION TECHNOLOGY PUBLIC COMPANY LIMITED

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2005 AND 2004

(Unit: Baht)

	<u>Note</u>	<u>2005</u>	<u>2004</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Bank overdrafts and short-term loans from financial institutions		130,156,989	85,647,706
Trust receipts		41,663,021	-
Trade accounts payable		241,001,532	171,277,873
Unbilled payable		94,717,536	129,248,960
Current portion of long-term loans	7	203,316,686	79,092,000
Current Portion of financial lease payable		1,118,103	918,027
Other current liabilities			
Corporate income tax payable		6,645,332	16,328,128
Advance receipts from customer		9,665,000	-
Accrued expenses		2,480,000	2,205,992
Others		15,369,253	15,054,778
		<u>34,159,585</u>	<u>33,588,898</u>
TOTAL CURRENT LIABILITIES		<u>746,133,452</u>	<u>499,773,464</u>
NON-CURRENT LIABILITIES			
Long-term loans, net of current portion	7	51,718,000	158,180,000
Financial lease payable, net of current portion		1,793,791	2,544,984
TOTAL NON-CURRENT LIABILITIES		<u>53,511,791</u>	<u>160,724,984</u>
TOTAL LIABILITIES		<u>799,645,243</u>	<u>660,498,448</u>

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

ADVANCED INFORMATION TECHNOLOGY PUBLIC COMPANY LIMITED

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2005 AND 2004

(Unit: Baht)

	<u>Note</u>	<u>2005</u>	<u>2004</u>
SHAREHOLDERS' EQUITY			
Share capital			
Registered			
40,000,000 ordinary shares of Baht 5 each		200,000,000	200,000,000
Issued and fully paid			
40,000,000 ordinary shares of Baht 5 each		200,000,000	200,000,000
Premium on ordinary shares		220,715,902	220,715,902
Retained earnings			
Appropriated - statutory reserve	8	20,000,000	16,170,480
Unappropriated		196,950,776	172,314,594
TOTAL SHAREHOLDERS' EQUITY		<u>637,666,678</u>	<u>609,200,976</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>1,437,311,921</u>	<u>1,269,699,424</u>
		-	-

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

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DIRECTORS

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ADVANCED INFORMATION TECHNOLOGY PUBLIC COMPANY LIMITED

EARNINGS STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit: Baht)

	<u>Note</u>	<u>2005</u>	<u>2004</u>
REVENUES			
Sales and service income		1,171,750,367	970,642,799
Rental and service income for equipment held for lease		188,562,090	29,417,143
Foreign exchange gain		-	1,973,247
Other income		2,475,390	15,530,526
TOTAL REVENUES		<u>1,362,787,847</u>	<u>1,017,563,715</u>
EXPENSES			
Cost of sales and service		926,883,220	715,043,016
Cost of equipments held for lease		77,856,990	11,197,058
Selling, servicing and administrative expenses		237,952,588	174,689,851
Directors' remuneration	9	3,084,000	4,125,000
Foreign exchange loss		2,372,512	-
TOTAL EXPENSES		<u>1,248,149,310</u>	<u>905,054,925</u>
EARNINGS BEFORE INTEREST EXPENSES AND INCOME TAX		114,638,537	112,508,790
INTEREST EXPENSES		(10,167,613)	(7,911,258)
CORPORATE INCOME TAX	10	(36,005,222)	(29,369,316)
NET EARNINGS FOR THE YEARS		<u><u>68,465,702</u></u>	<u><u>75,228,216</u></u>
BASIC EARNINGS PER SHARE			
Net earnings		<u><u>1.71</u></u>	<u><u>1.88</u></u>

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

ADVANCED INFORMATION TECHNOLOGY PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit: Baht)

	<u>2005</u>	<u>2004</u>
Cash flows from (used in) operating activities:		
Net earnings	68,465,702	75,228,216
Adjustments to reconcile net earnings to net cash provided by (paid from) operating activities:		
Depreciation	78,926,020	22,703,105
Provision for possible loss of inventory	27,000,000	-
Unrealised foreign exchange (gain) loss	(111,922)	555,643
Loss on sales of fixed assets	474	-
	<hr/> 174,280,274	<hr/> 98,486,964
Decrease (increase) in operating assets		
Trade accounts receivable	18,680,037	(37,381,082)
Unbilled receivable	(34,300,000)	-
Work in progress	(109,501,234)	(14,706,607)
Inventories	(45,306,694)	2,952,583
Other current assets	(1,644,606)	5,317,606
Other non-current assets	(804,447)	202,120
Increase (decrease) in operating liabilities		
Trade accounts payable	69,701,750	(113,041,667)
Unbilled payable	(34,531,424)	58,525,201
Other current liabilities	717,967	(27,090,384)
Net cash flows from (used in) operating activities	<hr/> 37,291,623	<hr/> (26,735,266)

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

ADVANCED INFORMATION TECHNOLOGY PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit: Baht)

	<u>2005</u>	<u>2004</u>
Cash flows from (used in) investing activities:		
Increase in advance to director and employees	(286,952)	(831,003)
Decrease (increase) in restricted bank deposits	(6,410,503)	26,229,393
Purchase of building improvement and equipment	(14,019,546)	(11,276,007)
Purchase of equipment held for lease	(68,118,355)	(202,619,492)
Capitalise interest of equipment held for lease	(4,103,312)	-
Proceed of equipment	2,804	-
Net cash flows used in investing activities	<u>(92,935,864)</u>	<u>(188,497,109)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in bank overdrafts and short-term loans		
from financial institutions	44,509,283	(237,717,252)
Increase in trust receipts	41,663,021	-
Drawn down of long-term loans	180,000,000	270,000,000
Repayments of long-term loans	(162,237,314)	(32,728,000)
Increase (decrease) in financial lease payable	(551,117)	3,463,010
Dividend payment	(40,000,000)	(48,000,000)
Net cash flows from (used in) financing activities	<u>63,383,873</u>	<u>(44,982,242)</u>
Net increase (decrease) in cash and cash equivalents	7,739,632	(260,214,617)
Cash and cash equivalents at beginning of the year	<u>60,237,844</u>	<u>320,452,461</u>
Cash and cash equivalents at end of the year	<u><u>67,977,476</u></u>	<u><u>60,237,844</u></u>
	-	-
Supplemental cash flows information		
Cash paid during the years for:		
Interest expenses	15,531,051	7,621,224
Corporate income tax	45,688,018	41,630,126

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

ADVANCED INFORMATION TECHNOLOGY PUBLIC COMPANY LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit: Baht)

	Note	Issued and paid up share capital	Premium on ordinary shares	Retained earnings		Total
				Appropriated - statutory reserve	Unappropriated	
Balance as of 31 December 2003		200,000,000	220,715,902	12,370,480	148,886,378	581,972,760
Dividend payment	11	-	-	-	(48,000,000)	(48,000,000)
Net earnings for the year 2004		-	-	-	75,228,216	75,228,216
Transfer to statutory reserve		-	-	3,800,000	(3,800,000)	-
Balance as of 31 December 2004		200,000,000	220,715,902	16,170,480	172,314,594	609,200,976
Dividend payment	11	-	-	-	(40,000,000)	(40,000,000)
Net earnings for the year 2005		-	-	-	68,465,702	68,465,702
Transfer to statutory reserve		-	-	3,829,520	(3,829,520)	-
Balance as of 31 December 2005		200,000,000	220,715,902	20,000,000	196,950,776	637,666,678

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

ADVANCED INFORMATION TECHNOLOGY PUBLIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

1. GENERAL INFORMATION

Advanced Information Technology Public Company Limited (“the Company”) registered to change its status to a public company limited under the Public Limited Company Act B.E. 2535 on 4 March 2003 and its ordinary shares are listed on the Stock Exchange of Thailand on 30 July 2003.

The Company operates its business in Thailand and its principal activities are sales, installation and renting of computers and electronic equipments. The Company’s registered address is 37/2 Suthisarnvinichai Road, Samsaennok, Huaykwang, Bangkok.

These financial statements were authorised for issue by the Board of Directors on 20 February 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547.

Significant accounting policies adopted by the Company are summarized below.

2.1 Revenues and expenses recognition

a) Revenues

Revenues from sales and installation are recognized on the basis of percentage of completion. Recognized revenues, which are not yet due per the contracts, have been presented under the caption of “Unbilled receivables” in the balance sheets.

Service income is recognized when the services are rendered.

Rental income and related service income are recognised on an accrual basis.

b) Expenses

Cost of contract sales and installation are recognised in accordance with the percentage of work completed based on total estimated costs. Provision for anticipated losses on projects is made in the accounts in full when the possibility of loss is ascertained. Differences between the estimated costs and the actual costs are recognized as “work in progress” under current assets and “unbilled payable” under current liabilities.

Other expenses are recognized on an accrual basis.

2.2 Trade accounts receivable and allowance for doubtful debts

Trade accounts receivable are stated at net realisable value. Allowance for doubtful debts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is based on collection experience and current status of receivables outstanding at the balance sheet date.

2.3 Inventories

Inventories are valued at the lower of cost (first in, first out method) and net realisable value.

2.4 Work in progress

Work in progress is valued at the lower of cost and net realizable value. Cost of work in progress consists of costs of materials, labors, subcontract works and other relevant expenses, and after deducting the amounts recognized as cost of sales and services in accordance with the percentage of work completed.

2.5 Building improvement and equipment/Depreciation

Building improvement and equipment are stated at cost less accumulated depreciation. Depreciation of building improvement and equipment is calculated by reference to their costs on the straight-line method over the following estimated useful lives:-

Building improvements	5 years
Furniture and fixture	5 years
Computers	3 - 5 years
Vehicles	5 years
Equipment held for lease	5 years

The Company recognises impairment loss on fixed assets when there is any event or circumstance indicating that the recoverable value of assets is less than their carrying costs.

2.6 Capitalisation of borrowing costs

The interest cost on borrowing, for directly use in construction and installation, has been capitalised as part of the cost of work in progress and equipment held for lease. The Company

will cease the capitalisation when the construction and installation are completed or when the construction is suspended until active development resumes.

2.7 Foreign currencies and derivative instrument

Foreign currency transactions incurred during the year are translated into Thai Baht at the exchange rates ruling on the transaction dates. Assets and liabilities in foreign currency outstanding at the balance sheet date are translated into Thai Baht at the exchange rates ruling on the balance sheet date. Exchange gains and losses are included in determining earnings.

Forward contracts are recorded as forward contracts receivable or forward contracts payable on inception, and are translated at the year end exchange rate. Unrealised gains and losses on translation are recognised in the income statement. Discounts or premiums, the difference between the spot exchange rate and the forward exchange rate at the inception of the contract, are deferred and amortised to earnings over the contract period using the straight-line method.

2.8 Basic earnings per share

Earnings per share as presented in the earnings statements is the basic earnings per share which is determined by dividing the net earnings for the year by weighted average number of ordinary share in issue during the year.

2.9 Statements of cash flows

For the purposes of the statements of cash flows, cash and cash equivalents include cash on hand and deposits at financial institutions with an original maturity of 3 months or less and not subject to restrictions.

2.10 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates for certain accounting transactions that affecting amounts reported in the financial statements and notes related thereto. Subsequent actual results may differ from these estimates.

3. TRADE ACCOUNTS RECEIVABLE

Details of the outstanding balances of trade accounts receivable of the Company, classified by age, are as follows:-

	(Unit: Baht)	
	2005	2004
Not yet due	185,133,640	198,368,800
Less than 3 months overdue	219,178,884	54,867,010
3-6 months overdue	46,863,868	1,588,308
6-12 months overdue	31,166,853	53,619,655
More than 12 months overdue	8,423,546	517,456
Back to Back basis	65,050,431	265,549,479
Total	555,817,222	574,510,708
Less: Allowance for doubtful accounts	(500,000)	(500,000)
Trade accounts receivable - net	<u>555,317,222</u>	<u>574,010,708</u>

Most of the overdue trade accounts receivable balances are those of receivable from government agencies which are in the progress of inspecting the Company's works. The Company's management believes that the payment of these balances will be received in full and that the above allowance for doubtful accounts is adequate in the current circumstance.

4. INVENTORIES

Most of the inventory balance as of 31 December 2005 majorly consists of:-

- 4.1 Costs of a project developing electronic database of Baht 46.5 million. This project has been outstanding for more than one year and been under negotiation with a buyer. The Company's management have considered the appropriateness of the provision for loss of Baht 27 million already set aside in the accounts and believe that the net realisable value of the project is not less than its net book value.
- 4.2 Development costs and computer equipment of projects of Baht 30.4 million. The Company is seeking and has been in negotiation with potential parties to be joint ventures but the project have been outstanding for more than one year. However, the Company's management believes that the net realisable value of the project is not less than its net book value.

5. BUILDING IMPROVEMENT AND EQUIPMENT

(Unit: Baht)

	Building improvement	Furniture and fixture	Computers	Vehicles	Total
Cost:					
31 December 2004	3,777,427	7,615,328	36,088,180	11,854,957	59,335,892
Acquisitions	148,190	1,362,669	12,508,687	-	14,019,546
Disposal	-	(4,477)	(70,300)	-	(74,777)
31 December 2005	3,925,617	8,973,520	48,526,567	11,854,957	73,280,661
Accumulated depreciation:					
31 December 2004	1,991,178	5,725,736	22,120,617	6,613,806	36,451,337
Depreciation for the year	519,311	818,953	9,950,453	1,759,887	13,048,604
Depreciation on disposal	-	(1,203)	(70,296)	-	(71,499)
31 December 2005	2,510,489	6,543,486	32,000,774	8,373,693	49,428,442
Net book value:					
31 December 2004	1,786,249	1,889,592	13,967,563	5,241,151	22,884,555
31 December 2005	1,415,128	2,430,034	16,525,793	3,481,264	23,852,219
Depreciation charge (included in earnings statements)					
Year 2004					11,506,046
Year 2005					13,048,604

As at 31 December 2005, certain equipment items have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to approximately Bath 19.7 million (2004: Baht 14 million).

6. EQUIPMENT HELD FOR LEASE

(Unit: Baht)

	Equipment held		Total
	Equipment held for lease	for lease under installation	
Cost:			
31 December 2004	163,167,386	209,595,124	372,762,510
Acquisitions	44,522,782	23,595,573	68,118,355
Capital interest of equipment	-	4,103,312	4,103,312
Transfer in (transfers out)	177,089,320	(177,089,320)	-
31 December 2005	384,779,488	60,204,689	444,984,177
Accumulated depreciation:			
31 December 2004	11,197,058	-	11,197,058
Depreciation for the year	65,877,416	-	65,877,416
31 December 2005	77,074,474	-	77,074,474
Net book value:			
31 December 2004	151,970,328	209,595,124	361,565,452
31 December 2005	307,705,014	60,204,689	367,909,703
Depreciation charge (included in earnings statements)			
Year 2004	11,197,058	-	11,197,058
Year 2005	65,877,416	-	65,877,416

Equipment held for lease consists of electronic equipment to be leased for the period of 3 years, with future rental and related service incomes, according to contracts, amounting to Baht 709.4 million (2004: Baht 783.9 million).

7. LONG-TERM LOANS

The balances represent loans from a local bank detailed as follows:-

Facility (Million Baht)	Interest	Repayment of principle	Secured by	Loan balances	
				31 December 2005 (Million Baht)	31 December 2004 (Million Baht)
90	3.5% per annum	Baht 4,091,000 per month starting from May 2004 to February 2006	Transferring the right of the claim for receipts from trade accounts receivable of a contract to lease equipment. The cash receiving value of such contract for approximately 3 years is totaling Baht 240.5 million	-	57.3
180	3.75% per annum until 30 September 2005 and then MLR-1.75% until the loan is fully paid	Before 30 September 2005, equal to amount received from customer for the lease of equipment. Since 30 September 2005, not less than Baht 7.5 million per month.	Transferring the right of the claim for receipts from trade accounts receivable of a contract to lease equipments. The cash receiving value of such contract for approximately 3 years is totaling Baht 425.9 million	144.7	180.0
210	MLR-1.25% per annum	Baht 10,500,000 per month starting from December 2005 or when receive from customer for a contract to sale computer system and equipments whenever reaches first, and all principle and interest have to be repaid within July 2007.	Transferring the right of the claim for receipts from trade accounts receivable of a contract to sale computer system and equipments. The cash receiving value of such contract totaling Baht 301.3 million	110.3	-
				255.0	237.3
		Less: Current portion of long-term loans		(203.3)	(79.1)
		Long-term loans - net of current portion		51.7	158.2

8. STATUTORY RESERVE

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve of at least 5% of its annual net earnings, after deducting accumulated deficits brought forward (if any), until the reserve reaches 10% of its registered share capital. The statutory reserve could not use for dividend payment.

9. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to executive directors.

10. CORPORATE INCOME TAX

Corporate income tax is calculated on net earnings for the years after adding back expenses which are disallowable for tax computation purposes in accordance with the Revenue Code.

11. DIVIDEND

Dividends declared in 2005 and 2004 consist of the following:-

	<u>Approved by</u>	<u>Dividend per share</u>	<u>Total dividends</u>
		(Baht)	(Million Baht)
Dividend on 2003 earnings	Annual General Meeting of shareholders on 28 April 2004	1.2	48
Dividend on 2004 earnings	Annual General Meeting of shareholders on 20 April 2005	1.0	40

12. PROVIDENT FUND

The Company and its employees have jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The fund is contributed to by both the employees and the Company and is managed by MFC Asset Management Public Company Limited. The fund will be paid to the employees upon termination in accordance with the rules of the fund. During the year, the Company contributed Baht 3.3 million to the fund (2004: Baht 3.0 million).

13. NUMBER OF EMPLOYEES AND RELATED COSTS

	<u>2005</u>	<u>2004</u>
Number of employees at end of year (Persons)	161	164
Employee costs for the year (Thousand Baht)	154,945	122,531

14. FINANCIAL INFORMATION BY SEGMENT

The operations of the Company involve a single industry segment of the sales, installation and renting of computers and electronic equipments and are carried on in Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements are pertaining to this business segment and geographic area.

15. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2005, the Company had the following commitments and contingent liabilities:-

- 15.1 The Company had outstanding bank guarantees of approximately Baht 301.8 million (2004: Baht 218.5 million) which have been issued by banks on behalf of the Company in respect of certain performance bonds as required in the ordinary course of its businesses.
- 15.2 As at 31 December 2005, the Company has been granted credit facilities (the facilities of short-term and long-term loans, overdrafts and letters of guarantees) from various financial institutions and has collaterals as following:-
- Credit facilities of Baht 1,399 million of which Baht 834 million has been utilised.
 - Forward contracts facilities of USD 5.9 million of which USD 1.8 million has been utilised.
 - Pledged by bank deposits of Baht 92.5 million.
 - Credit facilities of Baht 70 million for short-term loan from a local bank, with no outstanding balance as of 31 December 2005, secured by transferring the rights of the claim of receipts from trade accounts receivable from a project. Total outstanding balance of the accounts receivable is Baht 81 million.
 - Contract financing facilities, of which the utilised facilities are long-term loans as mentioned in Note 7 to the financial statements, secured by transferring the rights of the claim of receipts from trade accounts receivable for the whole periods of the contracts.

15.3 The Company had commitments in respect of lease of buildings and vehicles, which are payable as follows:-

	(Unit: Million Baht)	
<u>Payable</u>	<u>Lease of buildings</u>	<u>Lease of vehicles</u>
Within one year	6.0	3.7
In 2 to 3 years	12.6	5.3

15.4 The Company has undelivered and unrendered contracts of selling goods and rendering services to its customers of approximately Baht 666 million (2004: Baht 211 million).

15.5 The Company has engaged in various contracts, totaling contract values of Baht 709.4 million (2004: Baht 783.9 million), to lease the electronic equipment to a government agency and various schools. The company has obliged to complete the equipment installation and render maintenance services of these equipment in accordance with conditions stipulated in the contracts.

16. FINANCIAL INSTRUMENTS

Financial risk management and policies

The Company does not hold or issue derivative instruments for speculative or trading purpose.

Interest rate risk

The interest rate risk is generally the risk that future movements in market interest rates will affect the results of the Company's operations and its cash flows. The Company's exposure to interest rate risk relates primarily to its deposits with financial institutions, bank overdrafts and short-term and long-term loans from financial institutions. The Company does not use derivative financial instruments to hedge such risk.

As at 31 December 2005, the Company had assets and liabilities carrying fixed interest rate as followings:-

	<u>Amount</u> (Million Baht)	<u>Interest rate</u> %
<u>Non-current assets</u>		
Restricted fixed deposits with banks	92	0.5 - 1.0
<u>Current liabilities</u>		
Short-term loans from financial institutions	130	4.9-5.0
Trust receipts	42	5.5-6.0

Foreign currency risk

The Company exposures to foreign currency risk relates primarily to trade payables which are denominated in foreign currencies. The Company primarily utilizes forward exchange contracts with maturities of less than one year to hedge such financial liabilities, when it considers appropriate.

As at 31 December 2005, the Company had outstanding balance of accounts payable denominated in foreign currency of USD 2.0 million and had certain forward exchange contracts which had been made to cover the purchase of inventories totaling USD 1.8 million, at exchange rates ranging between Baht 40.90 to Baht 41.30 per USD 1.

Credit risk

The Company is exposed to credit risk primarily with respect to trade accounts receivable. However, due to a prudent credit policy and most customers are government agencies and reputable companies with healthy financial background, the company does not anticipate material losses from its debt collection, other than those against which a provision has already been set aside.

Fair value

Since the majority of financial assets and financial liabilities are short-term and the loans carry interest at rates close to market rates, the management believes that the fair values of financial assets and liabilities do not materially differ from their carrying values.

17. SUBSEQUENT EVENTS

At the Meeting of Board of Directors held on 20 February 2006, it was resolved that annual dividend of Baht 1 per share be paid in respect of the year 2005. The dividend will be distributed after approval by an annual General Meetings of the shareholders.

18. PRESENTATION

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.