

บริษัท ฟอर्थ ดอร์ปอเรชั่น จำกัด (มหาชน)
FORTH CORPORATION PUBLIC COMPANY LIMITED



Contents

	Page
Financial Highlight	2
Research and Development	4
The Group of Business	6
Message from Management	8
Board of Directors	10
Customer Relations	12
Report of the Audit committee	13
Summary of Financial Highlights	14
Company Profile	15
Nature of Business Operation	16
Risk of the Business	21
Share holding structure	25
Management structure	27
Corporation Governance	34
Related-transactions	36
Measurement or Procedures to Approve the Related Transaction	42
Management Discussion and Analysis	43
Future Projects	50
Report of Independent Auditor	52
Financial statement	53





Financial Highlights

Consolidated	2004 (Million Baht)	2005 (Million Baht)	Change (%)	2006 (Million Baht)	Change (%)
Property, Plant and Equipment-net	381	520	36.48	552	6.15
Total Assets	1,092	1,800	64.83	2,240	24.44
Total Liabilities	633	1,310	106.95	1,110	(15.26)
Shareholders' Equities	459	490	6.75	1,129	130.41
Revenues Sale	830	1,434	72.77	1,789	24.75
Revenues Services	251	179	28.68	381	112.84
Revenues from project construction	82	52	(36.58)	271	421.15
Total Revenues	1,168	1,679	43.75	2,481	47.76
Gross Profit	291	388	33.33	661	70.36
Net Profit	27	32	18.51	213	565.62
Earnings Per Share (Baht)	0.08	0.08	-	0.51	537.50
Debt to Equity Ratio (Times)	1.38	2.67		0.98	
Net Profit to Shareholders' Equity (%)	5.88	6.53		18.87	
Net Profit Margin (%)	2.31	1.91		8.58	
Book Value Per Share (Baht)	1.19	1.27		2.35	

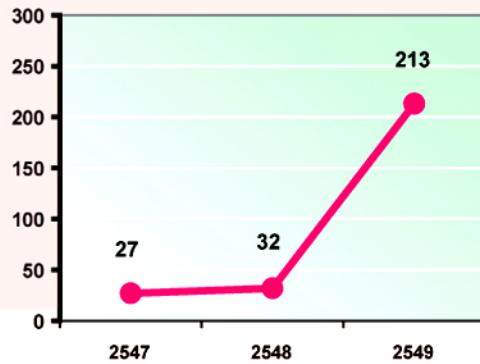
The Company only	2004 (Million Baht)	2005 (Million Baht)	Change (%)	2006 (Million Baht)	Change (%)
Property, Plant and Equipment-net	361	460	27.42	496	7.82
Total Assets	824	1402	70.15	1,797	28.17
Total Liabilities	414	978	136.23	832	(14.92)
Shareholders' Equities	410	424	3.41	966	127.83
Revenues Sale	712	1,023	43.67	1,231	20.33
Revenues Services	251	180	(28.28)	265	47.22
Revenues from project construction	-	-	-	106	-
Total Revenues	969	1,221	26.00	1,641	34.39
Gross Profit	239	238	(0.42)	371	55.88
Net Profit	20	13	(35.00)	116	792.31
Earnings Per Share (Baht)	0.06	0.03	(50.00)	0.28	833.33
Debt to Equity Ratio (Times)	1.01	2.31		0.86	
Net Profit to Shareholders' Equity (%)	4.88	3.07		12.01	
Net Profit Margin (%)	2.06	1.06		7.07	
Book Value Per Share (Baht)	1.06	1.10		2.01	

Chart of Consolidated Financial Statements



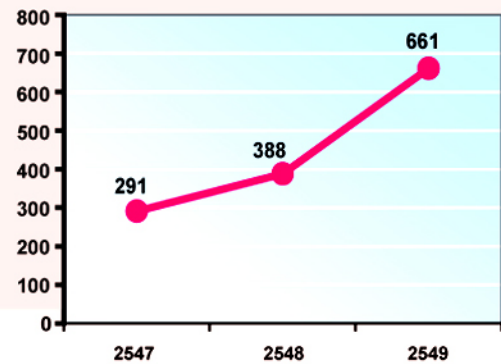
Net Profit

(Million Baht)



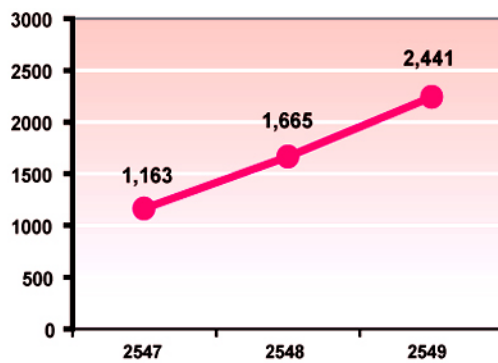
Gross Profit

(Million Baht)



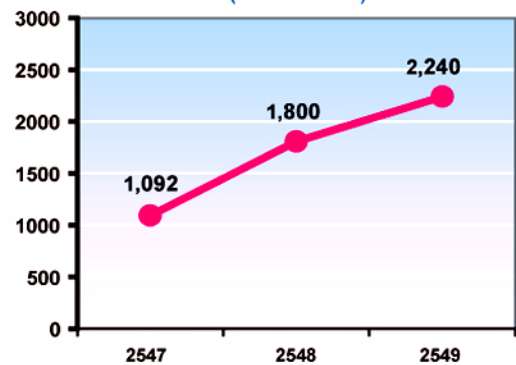
Sales and Service Income

(Million Baht)



Total Assets

(Million Baht)



FORTH R&D

FORTH put in 100 million Baht for the research and development of technology of products



Forth Corporation Public Company Limited (FORTH) is engrossed to be the leader in the telecommunication technology in Thailand, thus more than 100 million Baht have been put in to the research and development on the modern technology for the products of quality and modernity which can respond to the need of customers in both government and private sectors. Especially at present, the growing of technology in the IP Network takes a big role and has an extensive growth. The R&D team of FORTH has developed the products that can support the Internet Protocol to response to the current need e.g.

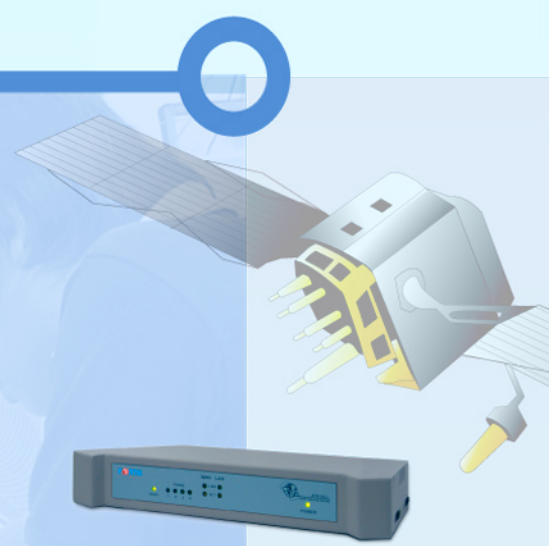
MSAN : the Multi Service Access Node which is the new equipments of the Telephone Exchange for telecommunication on the Broadband network together with the Narrowband Network. This enables users to save more on the cost. The special pride of FORTH goes to the Broadband service together with the basic telephone system since the Company is the only Thai company that has successfully researched and developed the Telephone Exchange which support this new network. The products have been trusted by the TOT Public Company Limited to install more than 23 Access Nodes and still expand the installing to cover more and more area nationwide.

DSLAM : The Digital Subscriber Line Access Multiplexer is an equipment for the ADSL internet which is developed to serve the customer's need due to the high and steady growing rate of the hi-speed internet users. The DSLAM was designed for easy operation and it is worth the investment cost of the ADSL service providers e.g. The TOT Public Co. Ltd. has lately contracted with FORTH to distribute and install the DSLAM for more than 100,000 ports nationwide in 2006, and expected to be more than 200,000 ports nationwide in 2007.

IP-3000 which is the new model of PABX by FORTH has been designed to support the Internet Protocol and serve the need of the business of large organizations by its variety of features e.g. connection by the Fiber Optic Cable in fully Non Blocking with the Duplicate CPU and Power Supply. Thus, FORTH IP-3000 is the PABX that enhances the more capacity for the competitive and flexible business.



ATA : The Analog Telephone Adaptor is the equipment that converts the analog telephone signal to voice over IP system or sends the voice signal through the Internet network. This efficiently enhances a cheaper cost on telephone service especially for the internet providers. The R&D Team of FORTH has researched and developed the ATA to support the connection with the new Net Work for the land line telephone system, the public telephones and the Hi speed internet or connect with the satellite system to provide telephone service in the remote areas where there are no telephone lines. Thus, the ATA currently responses well to the very extensive need of hi speed internet users.



Non stop Development

Other products of FORTH that are trusted and installed nationwide by a lot of government operation units are as follows:

Traffic equipments namely: Traffic Signal Controller, Automatic Traffic Control System, LED Traffic Light, Traffic Countdown Display

Display equipments namely: Full Color LED Screens, Variable Message Sign, Smart Sign installed in 40 Bangkok areas.

Tracking System is the equipment to track vehicles via satellite in Real Time mode for very effective vehicle usage management.

Electronic Meter with digital LED display which is quite comfortable to read. Meter reading can be done by the normal mode, by the prepaid card system and by the automatic mode for the convenience of the users.

Although to date FORTH has seen substantial success; it will continue to grow its business. It aims to be the market leader in telecommunication technology by studying, researching and innovating new products for the local and international ICT markets.





Manufacturing and assembling telecommunication and electronic circuits in its own factory by the modern machinery and the long experienced engineering team. Thus, it can serve manufacturing both the consign parts and the turnkey products under the customers' brands.



Manufacturing and selling telecommunications equipments and electronic equipments under the brand of "FORTH", which compose of various products namely: the Private Automatic Branch Exchange (PABX and IP-PBX), High Speed Internet Device (DSLAM), Call Center System, Digital Loop Carrier (DLC) and Input Devices and Nurse Call System, etc. under the operation of FORTH Corporation Public Company Limited.

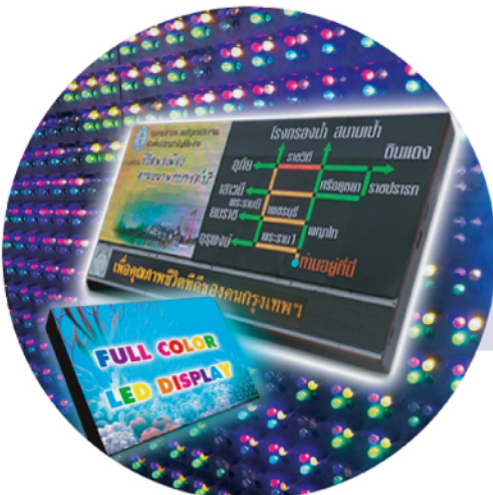


Manufacturing and selling equipments and traffic light system by the Genius Traffic System Company Limited which is the subsidiary and FORTH holds 100% of its shares. Its products are LED traffic light, Traffic Countdown Display, Traffic Signal Controller and Area Traffic Control System.

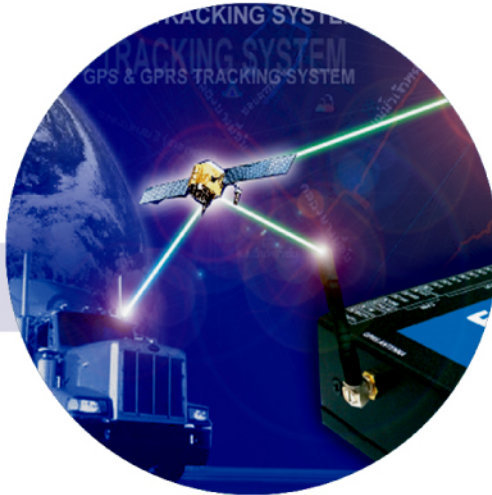


Manufacturing and selling electronic sign by Genius Traffic System Company Limited of which products are the Full Color LED Screens and we are the first deloper and producer in Thailand. This product uses to present moving picture, moving sign board and variable message sign. All LED products can be programmed through the remote control center.

We have concession to install and maintenance the 40 Traffic Smart Sign Boards including control center and we can derive benefit from them for the period of 9 years.



Business



Manufacturing and selling Vehicle Tracking Equipments by the Forth Tracking System Company Limited which is the associated and FORTH holds 34% of total paid up capital. The product is the electronic equipment recorder of vehicle usage through GPS and GPRS system via the satellite. The system can be efficiency operated and controlled through the Control Center.



Manufacturing and selling electronic meters by the Genius Electronic Meter Company Limited ("GEM"), which is the associated and FORTH holds 45% of total paid up capital. The product covers the single phase electronic meter with digital LCD display which is quite comfortable to read. Reading of the Meter can be done by the automatic reader through the computer and can be run by the prepaid card system. The target customer are MEA, PEA, condominium, hotel, plaza and apartment.



FORTH CONSORTIUM

Developing and implementing the Data Management system as well as installing Enterprise Resourcing Planning software, Customer Service System and Billing Development for the Metropolitan Electricity Authority.



Selling electronic parts by the Electronics Source Company Limited ("ES"), which is the subsidiary and FORTH holds 100% of the total paid up capital. ES proceed the business as the Distributor of electronic parts for the leading local and international manufacturers such as FUJITSU, ZARLINK, MICROCHIP, KEC, ELITE, Ischaffner, ETT, SILA, I_NEX. Mainly of ES's products are material for assambling electronic print circuit board example Diode, IC, Transistor, Capacitor, Resistor, Switch and other Connector etc.





Message from the President



In July 2005, FORTH Corporation had changed its status to a public company and in the 3rd quarter of 2006 offered selling shares stocks to the public and financial institutes by the initial public offering price of 5.00 Baht with a par value of 1.00 Baht. Apparently it had successfully obtained very good response. The company had registered the listing in the Stock Exchange of Thailand on September 8, 2006. And the response from the investors had exceeded the expectation which indicates that they highly trusted on the Company.

The mid and long term policies of the company aims at effective researching and self developing to catch up with the ICT evolution. The outcomes will be used to manufacture products that meet the international standard which can replace the imported appliances and be exported worldwide steadily. It is expected that in the next 3 - 5 years, the company will be able to export its products up to 40-50 percent of the total income and will expand the production base to other countries from which the company gain the benefit on the capital part for the long term competition.

On behalf of our committee and audit committee, I would like to confirm of the close supervision of the company by strictly pursuit the good governance for the growth and steady progress with the hope that one day this Thai enterprise will be able to take a graceful stand in the ICT world by the ability and spirits of the professional Thai executives.

In this occasion I would like to present my best wishes and special thanks to all who has steadily supported the business of FORTH Corporation directly and indirectly.

Sanit Vorapanya
President

Message from the Managing Director



2006 is the remarkable year of change of Forth Corporation Public Company Limited because it is the year that the Company has its stocks listed in the Stock Exchange of Thailand which will enhance the secure and steady growth in the future.

According to the continuous growth in electronic and telecommunication equipment industry which contributed to an increase in demand for FORTH products, the company has expanded extensively and steadily due to the consistent increasing of sales revenue. The big leap of its growth in 2006 resulted in a very good Company's operating result which indicated by the growth of revenue 46.69% and growth of profit 565% from 2005. The separated revenue come from assembling 34.13% sale electronic parts 23.53% telecommunication equipment 21.45%, Traffic light 9.63%, implementing ERP 4.25% and Smart traffic board 4.80%.

In 2007 the Company has increased more productivity for the new customers: the Western Digital by importing new machines and expanding the factory so that it can enhance more effective productivity. It is expected that the Company will have a bigger leap of the operating result than in 2006. Apart from that, the Traffic Light System business will also have a very fast growth by the budget from the Bangkok Metropolitan Administration and the municipal offices nationwide. Both of them has allocated much higher budget than in 2006 for their traffic light system projects. Beside, the MSAM Access Node System which will be sold on the market this year, will promote higher sales revenue from the Telephone Organization of Thailand than the one in 2006. Moreover, as the Company will start to manufacture the IP PABX in the second quarter, the sale revenue of PABX will grow extensively.

The essential strategy for the operating of the Company is the complete-cycled administration ranging from researching, supplying of raw materials, manufacturing and marketing. The products manufactured by the Company exactly meet the need of the customers with high plus value and top technology. Besides, the Company have continuously been researching and developing its technology in manufacturing as well as its human resource. Moreover, the Company has always carefully concentrated on the risk management by diversifying the risk on the source of the revenue and avoiding the relying only on the internal economy or on the government bidding apart from the good revenue from the direct and indirect importing.

On behalf of the Executive Board of the company, I would like to thank shareholders, customers and business alliances for their strong support as well as the managing team and employees for their great dedicated performances which result in the steady rapid growth of the Company. The Committee is confident that we will be able to lead the Company to attain the goals to be the prominent leader in the electronics industry of Thailand in the future as well as to progress along with the national economic development through out the time.

Pongchai Amatanon

Managing Director



Board of Directors



Mr. Sanit Vorapanya

President, Chairman of Audit Committee
and Independent Director

Education:

- Cert. of Thailand National Defense College
- Cert. of the International Marketing, USA
- MA. (Econ.), University of Wisconsin, USA
- BA. (Econ.), Thammasart University

Training:

- Director Accreditation Program (DAP),
Thai Institute of Directors Association,
Program no.30/2004, December 15, 2004

Position currently held:

- President, Chairman of the Audit Committee
and independent Director
Forth Corporation Public Company Limited
- Director
Electronic Source Co.,Ltd.
- Director
Genius Traffic System Co.,Ltd.
- Deputy Managing Director
Pan International (Thailand) Co.,Ltd.
- Director
CGU Insurance Co.,Ltd.



Mr. Sutham Malila

Audit Committee and Independent Director

Education:

- BA. of Engineering,
Chulalongkorn University

Training:

- Director Accreditation Program (DAP),
Thai Institute of Directors Association,
Program no.24/2004, September 9, 2005
- Audit Committee Program (ACP)
Thai Institute of Directors Association
Program no.4/2005, February 17-18, 2005

Position currently held:

- Audit Committee and Independent Director
Forth Corporation Public Company Limited
- Chairman of the Audit Committee of
Solartron Public Co.,Ltd.
- President of the TSB Holding Co.,Ltd.
- Director, Subpeumpoonphon Construction Co.,Ltd.
- Director, a Corporate Company, Chaengwattana 17
- Director, Banplubpla Company Limited
- Director, World Advance Business Co.,Ltd.
- Director, Sangsin Property Co.,Ltd.



Ms. Nongram Laohaareedilok

Audit Committee and Independent Director

Education:

- BA. of Business Administration,
Ramkamhaeng University

Training:

- Director Accreditation Program (DAP),
Thai Institute of Directors Association,
Program no.30/2004, December 15, 2004

Position currently held:

- Audit Committee and Independent Director
Forth Corporation Public Company Limited
- Deputy Managing Director
AST Master Co.,Ltd.



Pongchai Amatanon

Managing Director

Education:

- BA. of Engineering,
King Mongkut's Institute of Technology
Ladkrabang

Training:

- Director Accreditation Program (DAP),
Thai Institute of Directors Association,
Program no.30/2004, December 15, 2004

Position currently held:

- Managing Director
Forth Corporation Public Company Limited
- Director
Genius Traffic System Co.,Ltd.
- Director
Forth Tracking System Co.,Ltd.
- Director
Genius Electronic Meter Co.,Ltd.



Ms. Rangsee Lerttripinyo
Deputy Managing Director

Education:

BA. of Business Administration
Ramkamhaeng University

Training:

- Director Accreditation Program (DAP),
Thai Institute of Directors Association,
Program no.30/2004, December 15, 2004

Position currently held:

- Deputy Managing Director
Forth Corporation Public Company Limited



Mr. Kaelic Amatanon
Director

Education:

Cert. on Vocational Study
Chetupon College

Training:

- Director Accreditation Program (DAP),
Thai Institute of Directors Association,
Program no.30/2004, December 15, 2004

Position currently held:

- Director
Forth Corporation Public Company Limited
- Managing Director
Electronic Source Co.,Ltd.



Ms. Matinee Wandeepirom
Director

Education:

BA. of Engineering
King Mongkut's Institute of Technology

Training:

- Director Accreditation Program (DAP),
Thai Institute of Directors Association,
Program no.30/2004, December 15, 2004

Position currently held:

- Director
Forth Corporation Public Company Limited
- Managing Director
Genius Traffic System Co.,Ltd.



Mr. Boonya Tantipanichpan
Director

Education:

BA. of Engineering
King Mongkut's Institute of Technology

Training:

- Director Accreditation Program (DAP),
Thai Institute of Directors Association,
Program no.30/2004, December 15, 2004

Position currently held:

- Director
Forth Corporation Public Company Limited
- Managing Director
Genius Traffic System Co.,Ltd.



Ms. Chonticha Siripongpreeda
Director

Education:

- BA. of Business Administration
Assumption University
- MBA University of Wisconsin

Training:

- Director Accreditation Program (DAP),
Thai Institute of Directors Association,
Program no.43/2004, September 9, 2005

Position currently held:

- Director
Forth Corporation Public Company Limited
- Deputy Managing Director
Electronic Source Co.,Ltd.
- Director
Electronic Source (Singapore) PTE Limited



FORTH presentation of new products

The next generation IP PBX



On February 9-13, 2007 FORTH Corporation Public Company Limited has held seminars to present new products display the products of the associated companies to the 200 Local distributors all over the country. The seminars are held in Chiangmai, Khonkaen, Songkhla and Bangkok. The new product is the IP-3000 PABX which transfers technology from the FORTH DLC which has been trusted by the TOT Public Company Limited to install FORTH DLC nationwide. The IP-3000 can support the telephone operation in the organization upto 3,840 ports. Apart from the new model of PABX, other interesting products are FORTH Analog Telephone Adaptor which can convert the analog telephone signal to the Voice Over IP into the high speed internet networks, the new IP-PBX, IPX-1664 and IPX- 832, the IP Trunk Card.

Local Distributor Seminar



Report from Audit Committee

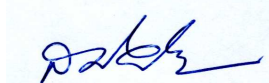
The Audit Committee was nominated by the Company Committee in a meeting on April 18, 2005 as required by the Stock Exchange of Thailand. It is comprised of 3 independent Directors namely: Mr. Sanit Vorapanya as the Chairman, Mr. Sutham Malila and Ms. Nongram Laohaareedilok as Committees. Neither of them holds a non-executive Director position or are owners of the Company.

The Audit Committee has the governance duties and responsibilities of supervising the Company to prepare complete, sufficient and reliable financial reports. We govern the Company on the internal control system as well as a suitable and effective internal audit system. They also ensure that there are no conflicts of interests and in line with the legal obligations regarding assets and stock exchange or other business related laws have been thoroughly complied with. Besides, they prepare the audit report and present it clearly in the annual report of the Company. Apart from these duties, the Audit Committee selects and appoints the Certified Public Accountant of the Company as well as performs other duties assigned by the Board of Directors.

In 2006, the Audit Committee held 4 meetings which are summarized as follows:

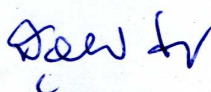
1. To review and approve the quarterly and annual financial statements which are audited by the Certified Public Accountant to ensure accuracy, adequacy according to the general accounting principles and enough disclosure before proposing to the Board of Directors for approval.
2. To consider and review for the annual audit plan of the internal auditors including reviewing the quarterly internal audit report as well as proposing suggestions to the Board of Directors to improve the operation of the company for more efficiency.
3. To consider and approve the related transactions between the Company and those related parties that may lead to the conflicts of interest.
4. To review the performance of the Company to ensure compliance with the securities and exchange law, regulations of the Stock Exchange or laws related to business of the Company.
5. To consider, select and nominate Ernst & Young Office Limited to be the Public Accountant of the Company in 2007 and propose the nomination to the shareholder's meeting.

The Audit Committee has considered that in the previous year, the Company has a good corporate governance system with no significant errors and has quite an effective internal Control system. However, the Audit Committee aims to pursue a better internal audit for the Company.



(Mr. Sanit Vorapanya)

Chairman of the Audit Committee



(Mr.Sutham Malila)

Audit Committee



(Ms. Nongram Laohaareedilok)

Audit Committee

Summary of Financial Highlights

Consolidated

Unit: Million Baht

	Simulated Consolidated	Consolidated	
	2004	2005	2006
Total Assets	1,091.83	1,799.92	2,239.56
Total Liabilities	523.88	1,309.54	1,110.13
Shareholders' Equities	567.95	490.38	1,129.44
Revenues Sale	1,267.53	1,433.70	1,789.23
Revenues Services	251.38	179.24	381.18
Revenues From project construction	-	52.47	270.65
Total Revenues	1,524.87	1,678.79	2,480.61
Net Profit	68.81	31.68	213.48

Financial Ratio

	Simulated Consolidated	Consolidated	
	2004	2005	2006
Current ratio (Time)	1.32	0.80	1.30
Quick ratio (Time)	0.68	0.33	0.51
Net profit margin (%)	4.51	1.89	8.61
Return from equity (%)	11.97	5.91	26.36
Return on assets (%)	6.91	2.19	10.57
Debt to Equity Ratio (Time)	0.92	2.67	0.98
Dividend Yield (%)	185.44	-	97.49
Earning per share (Baht)	0.18	0.08	0.51
Book value per share (Baht)	1.19	1.02	2.35

Company Profile

Name of Company	:	FORTH CORPORATION PUBLIC COMPANY LIMITED
Registered Number	:	0107574800471
Nature of main Business Operation	:	Manufacture and sell telecommunications equipments and electronic equipments under the brand of FORTH Manufacture and assembly telecommunications equipment and electronic equipment under the customers' brand. Manufacture, sell and turnkey installation of traffic light system and equipment Manufacture and sell electronic sign board Collect benefits from the message and picture advertisements on the smart traffic sign board Develop and implement the data management system
Head Office	:	226/12, 13 and 16 Phaholyothin Road, Samsennai, Phayathai, Bangkok 10400
Branch Locations	:	Branch 1. 66/350 Moo 12, Raikhing, Sampran, Nakornpratom 73210 Branch 2. 77 Moo 11 Phuttamonthon 5 Road, Raikhing, Sampran, Nakornpratom 73210 Branch 3. 66/18 Moo 12, Raikhing, Sampran, Nakornpratom 73210 Branch 4. 282,284 Phaholyothin Road, Samsemmmai, Phayathai, Bangkok 10400
Telephone No.	:	0-2615-0600
FAX No.	:	0-2615-0615
Home Page	:	www.forth.co.th
Person of Reference		
Registrar	:	Thailand Securities Depository Company Limited 62 4th Fl. The Stock Exchange of Thailand Bldg. Ratchadapisek Road, KlongToey District, Bangkok 10110 Telephone No : 0-2229-2800 Fax : (02) 359-1259
Certified Public Accountant	:	1. Mr. Supachai Phanyawattano with Certified public accountant no. 3930 or 2. Mr. Narong Pantawong with Certified public accountant no. 3315 or 3. Ms Tippawan Nananuwat with Certified public accountant no. 3459 or 4. Ms. Siraporn Euhankul with Certified public accountant no. 3844 Ernst & Young Office Ltd. 193/136-137 Lake Ratchada Office Complex Building,33 Floor, New Ratchadapisek Road, Klong Toey District, Bangkok 10110 Telephone : 0-2264-0777 Fax : 0-2264-0790

Nature of Business Operation

Corporate Vision of Company, Subsidiaries and Associated Companies

Forth Corporation Public Company Limited (FORTH) manufactures and sells telecommunications equipments and electronic equipments under the brand "FORTH as well as manufacture and assembly telecommunications equipment and electronic equipment under the customers' brands.

Group Companies Consists of Subsidiaries Company, Associated Company, Joint Venture and Consortium as the followings:

Three Subsidiary Companies are:

- 1) Electronics Source Company limited (ES) proceeds the business on distributing electronics parts.
- 2) Genius Traffic System Company limited (GTS) manufactures, sells and installs traffic light system and electronic signs in turnkey projects.
- 3) Joint Venture Genius receives the concession right from the Bangkok Metropolitan Administration to install and set up maintenance for 40 smart traffic signs boards and a traffic control center as well as derive the benefit from the advertisement on the smart traffic signs boards in Bangkok.

Two Associated Companies are:

- 1) Genius Electronic Meter Company Limited (GEM) manufactures electronic meters.
- 2) Forth Tracking System Company Limited manufactures vehicle tracking equipments working via satellite.

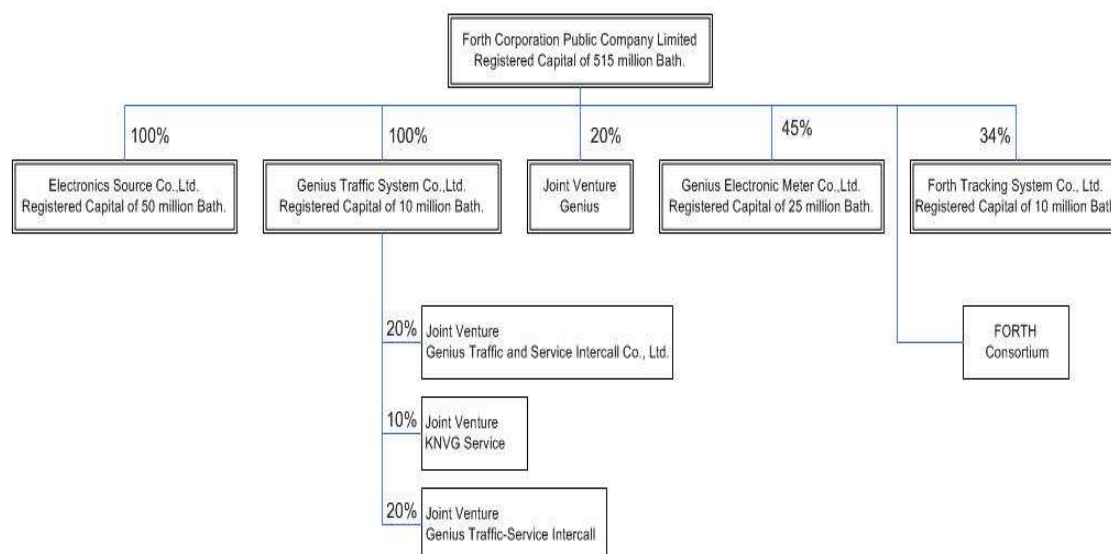
Three Joint Venture are :

- 1) Joint Venture Genius Traffic and Serviceintercall Company Limited corporates for installing and maintaining the traffic light in the municipal area of Trang Province.
- 2) Joint Venture KNVG Service will work on the turnkey project to install and give maintenance for the SCATS traffic system for 7 intersections in the municipal area of Pitsanulok province.
- 3) Joint Venture Genius Traffic - Serviceintercall, the operation will be to install and maintain traffic lights in the municipal area of Phuket.

One Consortium

FORTH Consortium comprises T I S Consultants Company Limited and Primelink Company Limited; both does not relate to the Company. FORTH Consortium has signed as program developer and implementer with Metropolitan Electricity Authority for Enterprise Resourcing Planning (ERP), Customer Service System and Billing development.

Structure of Investment in Subsidiary Company/Associated Company/ Joint Venture and Consortium



Forth Corporation Group operates business that completely supports each other. The GTS, GEM and FTS take parts in the survey and analysis the customers' need, and invent, design, research and develop the prototype products for the FORTH's factory to manufacture electronic circuit boards. The ES support the purchase of main raw materials for the manufacturing while FORTH, GTS, GEM AND FTS run the purchasing of other raw materials for the electronic boards. Joint Venture Genius run the Turnkey project to install the Smart Traffic Signs Board and derive the benefits from the advertising on the concession to install Smart traffic signs Board for the Bangkok Metropolitan Administration. The Joint Venture; Genius Traffic and Serviceintercall Co. Ltd., Joint Venture KNVG, Joint Venture Genius Traffic – Serviceintercall operate the turnkey projects of installing the traffic light systems. Besides, the Forth Corporation Group by Forth Consortium also provides information service on system implement.

Forth Corporation Public Company Limited (the company or FORTH)

FORTH operates business on manufacturing and selling telecommunication equipments and electronic equipment under the brand of "FORTH" e.g. PABX, Digital Loop Carrier (DLC), and Battery Charger Controller Inverter for the solar energy system, Call Center System and Nurse Call System. FORTH sells electronic products via direct sales and through more than 110 local distributors all over the country to customers both from governmental and private sectors namely: the Royal Thai Police Office, the Telephone Authority of Thailand, Vichaiyud Hospital, Bangkok Hospital, Shin Satellite Public Co. Ltd.

Besides, FORTH has also manufactured and assembled telecommunication and electronic circuit boards under the customers' brand e.g. electronic board for computer, mobile telephone, electric appliances,

electronic meters and recording equipment via satellite for the vehicle tracking system. The manufacturing of FORTH had obtained the ISO 9001: 2000 certification on the quality management from the SGS (Thailand) Limited System & Services Certification as well as had received benefit from the BOI for the exemption from import duty for raw material for the Printed Circuit Board Assembly manufacture: PCBA and the researching and developing of Private Automatic Branch Exchange: PABX and Telephone Sets. In 2003 FORTH had won the Best Supplier Prize on manufacturing standard from the Daikin Industry Limited, Japan and Pioneer Manufacturing (Thailand) Company Limited. All the customers are popular local and international manufacturers of electric appliances, electronic equipments namely: Daikin, Pioneer, Hitachi, Minibear, Sony and Mitsubishi. Moreover, the Company also provides service on developing and implementing software for Enterprise Resource Planning, Customer Service System and Billing Development. In 2003, the Company had joined the FORTH Consortium Project to provide the service mentioned above for the Metropolitan Electricity Authority.

Electronics Source Company limited (ES)

The ES operates business on wholesale and retails of electronic parts and is the only distributor in Thailand for the top manufacturers namely: FUJITSU, ZARLINK, and MICROCHIP. Besides, ES is also the distributor of electronic parts for many other manufacturers. Most of ES electronic parts are imported and are distributed via direct selling by sale staffs who deal with the factorial customers. The selling is made at 2 retailing shops which are warehouse as well as product showroom. Most of the customers are electronic suppliers, manufacturers of electric Appliances both local and oversea enterprises which have production base in Thailand. Apart from that, ES also supplies raw materials for the FORTH Group for product manufacturing.

Genius Traffic System Company Limited (GTS)

The GTS operates the business of researching, studying, manufacturing, distributing and turnkey installing complete traffic system including traffic light equipment e.g. traffic light, traffic light controller, genius light signal for cross roads and internal and external electronic boards e.g. the Full Color LED Screen. The products of GTS that are certified by the Thai Industrial Standards Institute are the Traffic Countdown Display, Traffic Light and Traffic Light Controller. Product research of the GTS also gets benefit from the Board of Investment (BOI) on the Prototype Design Program which was completely manufactured by GTS. Thus, from the past operation, GTS had succeeded in installing traffic equipments and traffic light system both in Bangkok and provinces. The GTS had won bidding on installing traffic lights for government agents nationwide. Moreover, the GTS also manufactures and distributes the full color LED screens which can display message and picture and the Moving Sign Board and Variable Message Sign. All of GTS products are qualified and well accepted from the government agents, this enhances the constant manufacturing and distributing.

GTS also manufactures and sells Smart Traffic Signs Boards in the full color LED screens to the Joint Venture Genius to install at 40 locations in Bangkok area.

Genius Electronic Meter Company Limited (GEM)

GEM is the associated company and FORTH holds 45 % of total paid up capital while other none related business units hold the rest of 55%. GEM operates its business in researching, studying and distributing electronic meters while the manufacturing is done by FORTH. The research of GEM products had obtained benefit from the Board of Investment (BOI) in the Prototype Design Program and the products had passed the standard test of IEC 62053-21 and IEC 62052-11 from Parkside Laboratory in New Zealand which is qualify according to the condition of Provincial Electricity Authority and Metropolitan Electricity Authority. This makes the GEM ready to sell the products immediately. The main customers are dormitories, apartments and government agents such as Metropolitan Electricity Authority and Provincial Electricity Authority.

Forth Tracking System Company Limited (FTS)

FTS is the associated company of which FORTH holds 34 % of total paid up capital while other non related business units hold the rest of 66 %. FTS researches, studies the technology and distributes the Vehicle Tracking equipments to customers in the government agents and private work units who relate with the transportation and private vehicle owners. The manufacturing is operated by FORTH .

Due to the starting operation period, FORTH had entered into the bidding instead of FTS. On 29 July 2003, FORTH had won the bidding at the Small and Medium Enterprise Development Bank of Thailand (SME Bank) on providing the Global Positioning System (GPS) including accessory to distribute to the Taxi owners under the conditions of SME Bank with total value of 148.5 million Baht. At present FTS can already enter into the bidding by it self.

Joint Venture Genius

Joint Venture Genius comprised of FORTH sharing the paid up capital with the GTS in the proportion of 20/80. They had entered into Joint Venture agreement on January 21, 2005 to install and maintain the Smart Traffic Signs Boards as derive the benefit. This Joint Venture had obtained the right from Bangkok Metropolitan administration to install and maintain the Smart Traffic signs Board at 40 locations including Traffic Control Center on May 26, 2005 at the value of around 210 million Baht within 180 days. Apart from that, the Joint Venture also obtained the right to derive the benefit from the advertisement on the Smart Traffic Sign Boards. The duration of this contact was 3 years per time and renewable 2 times if Joint Venture Genius could comply with the condition in the contract.

Joint Venture Genius Traffic and Serviceintercall Co. Ltd.

Joint Venture Genius Traffic and Serviceintercall Co. Ltd. comprised of the GTS and the Serviceintercall Co. Ltd. which registered in Trang province and is not related to the Company and acted as one of its distributor. Serviceintercall and GTS shared the paid up capital in the proportion of 80:20 and had entered

into Joint Venture agreement on January 21, 2005 to renovate and install traffic light in the Trang municipal area. The project is completed in August 2005 with 2 more years for the maintenance due to the contract and it is expected to be due and closed this Joint Venture in August 2007.

Joint Venture KNVG Service

The Joint Venture KNVG Service comprised of the GTS and the KNVG Intertrade Co. Ltd. which is not related to the Company and acted as one of its distributors. KNVG Intertrade and GTS shared the paid up capital in the proportion of 90:10 and had entered into Joint Venture agreement on March 10, 2005 to renovate and install the SCATS Traffic Light System at 7 intersections in the Pitsanulok municipal area. The project is completed in August 2005 with 2 more years for the maintenance due to the contract and it is expected to be due and closed this Joint Venture in August 2007.

Joint Venture Genius Traffic – Serviceintercall

Joint Venture Genius Traffic – Serviceintercall comprised of the GTS and the Serviceintercall Co. Ltd. which was registered in Trang and not related to the Company and acted as one of its distributors. Serviceintercall and GTS shared the paid up capital in the proportion of 80:20 and had entered into Joint Venture agreement on July 10, 2005 to renovate and install the traffic light System in the Phuket municipal area. The project is completed in October 2005 with 2 more years for the maintenance due to the contract and it is expected to be due and closed this Joint Venture in October 2007

Risk of the business

Risk Factor

1. Risk from the move of the production base and depend on major customer

Now a day, there are many industries involved in the electronic parts and many producers both local and international emphasize competition in response to the needs of the consumer, intensified with the rapid changes in technology. Therefore, the major producer set the business strategy as the competitive edge to reduce the production cost and using global sourcing in order to achieve the lowest cost but maintain the quality. Thus production and electronic circuit assembly in Thailand was effected by moves in production base in order to reduce costs or slowdown in orders having effect on the general industrial production and assembly of electronic circuits.

However, the Company was concerned about the consequences from the international competition and tried to expand the customer base and reduce the proportion of the order from the major customers. Moreover, the Company did the horizontal integration by production and sale of the telecommunication and electronic equipment under the brand “FORTH”, selling and installing traffic lights, electronic signs, selling electronic parts and derives benefit from advertisements on the Smart Traffic Signs Board in order to reduce the business risk. And in the future, we will launch the new product such as electronic meters for electricity, vehicle tracking data through satellite transmitter devices, etc. Thus spreading the risks from production and assembly of electronic circuits under customer’s brand.

2. Risk from the life cycle of the product effecting with technology changing

Generally, the life cycle of the electronic equipment is short due to the fast changing of the technology, and changes in products to newer models with higher efficiency thus the effect of out of date products meant that the producer has to update the technology manufacturing in order to respond to the customer needs. If the Company cannot update the technology in time, we might lose the customer to other company that has higher technology.

Therefore, the Company always invests in high technology manufacturing. In 2006, the Company invests in machinery 69.42 million to improve the manufacturing technology with the advance product. Furthermore, the Company receives the technical assistant from the Japanese product researcher and customer to improve advance technology. The Company confident that will catch up with the changing of product technology.

3. Risk from depend on technical assistant

The Company has agreement with producer and researcher in Japan to receive technical advice and know-how such as the expertise from Japan came to give advice on the Production, Quality Control, Test and

measurement method, etc. in order to support the producing of electronic board under the customer brand. In addition, this Company from Japan is the one that design the product with our client. If we do not receive the technical advice from them, our client might stop order the product from us.

The Company receives the trustworthy from know how owner and customer to be the manufacturer since 2003. Know how owner invest in machine for checking the quality of goods. Furthermore, the steps of selection the manufacturer of customer have a lot of step until the customer trust in quality and accept to be the manufacturer. They are hardly to change due to a lot of switching cost and not competitive.

Furthermore, the Company has a jointly working with customer from production planning and open plant for visiting and evaluating. The Company has a ready in research and development with customer. In the case that customer need urgently shipping, the Company can support all the time. The factors of shipping in time and technical assistant from know how owner can bring to more confident with the Company.

4. Risk from out of date material and inventory

Due to the short life cycle of products, the raw material and inventory also have short life cycle too. Therefore, as a producer and seller of equipment and electronic parts under customers brand, the Company has to optimize the level of the inventory by selling inventory that has been in stock without use for over 1 year.

Currently, the Company more focus on the level of the raw material and inventory by monitor them every month and analyze in order to set up the strategy to utilize the raw material and inventory. Or reduce inventory turnover by focusing on marketing on that section of the product.

5. Risk of purchasing Light Emitting Diode (LED) from major suppliers

Light Emitting Diode (LED) is the most important material in producing traffic lights and the electronic signs of GTS, which received approval from the government to use LED raw material from 2 suppliers from other countries. If the suppliers do not sell raw material to us, it might affect all of the installation and production of GTS.

However, there are many suppliers for Light Emitting Diode (LED) thus the company can source the supply from around the world. But we choose 2 suppliers being Nichia Corporation from Japan and Agilent Technologies from United State of America because they are world leaders for light technology in the Industry and they have internationally recognized production standards. Usually, the Company's plans are to order raw material in advance and the suppliers can deliver the raw material on time. Therefore, we have confidence that we have enough raw materials to produce and installation the traffic sign and electronic sign.

6. Risk from the Smart Traffic Signs Board Project of Joint Venture Genius

Joint Venture Genius consists of the Company and GTS, which has signed an agreement with Bangkok Metropolitan Administration by bid for the project Smart traffic signs boards include rights to maintenance and derive benefits from advertising. The investment of the project is baht 210 million which cause the following risks to the Company:

6.1 Risk from advertising income

Due to the terms of an agreement, Genius Company has the right to derive benefits from advertising on Genius traffic signs, which is valid for 3 years renewable 2 for more terms which account for 9 years. Genius Company agreed to pay monthly and yearly fees of baht 14.45 million per year. If Genius Company is unable to source enough income from the advertising to cover the expense, it might affect the profitability of the Company.

However, the advertising on the Genius traffic signs is the new way to communicate with the customer with ample coverage as they are located in road center with over 40 in the Bangkok Metropolis, and can be adjusted to the different styles of advertising over conventional ways. Genius Company sold the right to advertising to Halo Bangkok Trivision Company for 3 year periods with a value of 130 Million Baht not including VAT with the right to renew the agreement for 2 terms every 3 years depending on the Bangkok Metropolitan Administration policy on renewing the main agreement with Genius Company. Halo Bangkok Trivision Company is one of the large agents on this business of outdoor media. Currently, Genius Company has received payment on time and we have confidence that the Company will derive enough benefits from advertising to pay Bangkok Metropolitan Administration follow the agreement and the payback period should around 4 years.

6.2 Risk from the expiry of the Contract

After Genius Company transfers Genius traffic signs to become the property of Bangkok Metropolitan Administration and Genius Company should act according to the terms of agreement such as the responsibility for maintenance Genius traffic signs and the equipment in proper condition which if Genius Company fails to act, Bangkok Metropolitan Administration can terminate the agreement. As a consequence, the profitability of the Company may be reduced.

Furthermore, Genius Company invested in this project baht 210 million for a 3 years period renewable for two terms totaling 9 years. And Genius Company is confident that can comply with the terms of agreement. Therefore, Genius Company has policy to dispose of investment every month at the amount of baht 1.94 million or baht 23.33 million per year for a term of 9 years. If Bangkok Metropolitan Administration terminates the agreement Genius will have to dispose of investment immediately for the total years not contracted being a large expense, it will affect profitability directly.

However, the Company has a very good plan for the operation of the Genius traffic signs including maintenance, by reserving enough spares at all times. The Company has confidence that we can comply with the terms of agreement. Moreover, we are the first producer in Thailand producing color signs for use in the Genius traffic sign project which has a lower cost than the same product that come from other countries. And we are developers for software that is used with the hardware, and must use the company's technology for maintenance. Therefore, we have confidence that it would be hard to find other companies to replace our company and operate this equipment. We expect the payback period should around 4 years for this project.

7. Risk from the exchange rate

According to the Company and ES, there are huge imports of raw material (electronic type) for producing and selling the product. The Company purchases the raw materials in terms of U.S dollar and Japanese Yen but the income of the Company comes from selling the product in terms of Baht. And the Company might be at risk from the fluctuation of the currency.

Therefore, the Company books and prices the raw material in advance and monitors the currencies that involve the business closely. Currently, ES has a budget to enter into forward contracts with the financial institutes at the amount of Baht 100 million and 50 million respectively. Moreover, the Company deals with the client and supplier from other countries to use their currency instead of Thai Baht in order to avoid the currencies risk.

Shareholding

The Company Shares

As of December 31, 2006 the Company has an registered share capital of 515.0 million Baht which is 515.0 million of common shares with 1 Baht par share and 480 million Baht of paid up common share which is 480.0 million common shares.

Shareholders as at February 23, 2007

Name of Shareholders	No. of Shares	%
1. Amatanont Family ⁽¹⁾	303,637,100	63.26
2. Mr. Poonsak Siripongpreeda	13,743,900	2.86
3. Mr. Boonyong Ninneunnont	12,768,300	2.66
4. Mr. Boonya Tantipanichpun	12,355,700	2.57
5. Ms. Mathinee Wandeepirom	12,355,200	2.57
6. Far East Securities Col.,Ltd.	7,000,000	1.46
7. Mr. Somboon Aranyapark	6,571,100	1.37
8. Mr. Supat Pongrattanakul	5,367,700	1.12
9. Mrs. Tharinee Senchantichai	4,494,100	0.94
10. Mr. Thanin Sajjaboriboon	3,839,200	0.80
Others	97,867,700	20.39
Total	480,000,000	100.00

Remark: ⁽¹⁾ The Amatanont Family comprises of:

Name of Shareholders	No. of shares	%
1. Mr. Pongchai Amatanont	233,372,200	48.62
2. Mr. Kaelic Amatanont	28,962,000	6.04
3. Ms. Wantana Amatanont	12,140,900	2.52
4. Ms. Rangsee Lerttripinyo	28,962,000	6.04
5. Mr. Naris Lerttripinyo	200,000	0.04
Total	303,637,100	63.26

Dividend Policy

The company has set the policy to pay dividends to the shareholders at the rate of not less than 40% of the net earnings after of the corporate income tax, deficit (if any) and appropriated for statutory reserve. However, the Board of Director may set the rate of dividend less than the one mentioned above depending on the operating results, financial position, liquidity and the necessity to expand the operation as well as the working capital of the operating of the organization

Management Structure

Structure of Boards and Committees

The Board structure of the Company consists of 3 Boards which are the Board of Directors, the Executive Board of Directors the Audit Committee and 1 management team as the followings :

The Board of Directors

As at December 31, 2006, there are 9 Directors are shown as follow:

Name	Position
1. Mr. Sanit Worapanya	President / Chairman of the Audit Committee/ Independent Director
2. Mr. Sutham Malila	Audit Committee / Independent Director
3. Ms. Nongram Laohaareedilok	Audit Committee / Independent Director
4. Mr. Pongchai Amatanont	Managing Director
5. Mrs. Rangsee Lerttripinyo	Director
6. Mr. Kaelic Amatanont	Director
7. Mrs. Matinee Wandeepirom	Director
8. Mr. Boonya Tantipanichaphan	Director
9. Ms. Chonthicha Siripongpreeda	Director

Authorized Director

Authorized Directors for company are Mr. Pongchai Amatanont either Mr. Kaelic Amatanont , Mrs. Rangsee Lerttripinyo, or Mrs. Matinee Wandeepirom accompanied by the company's seal.

Powers, Duties and Responsibilities of the Board of Directors

The Board of Directors have set powers, duties and responsibilities to manage the business of the company faithfully and comply with the laws and the Company's objectives, Articles of Association as well as the resolution of the shareholders' meeting, for the benefits of the Company as followed.

1. To arrange for the annual general shareholders' meeting agenda within 4 months as of the end of each accounting period.
2. To arrange of the director meeting at least every 3 months.
3. To arrange for the preparation and submission of the audited balance sheet and income statement at the end of each accounting period to the shareholders' meeting for its consideration and approval.
4. The Board may authorize any other director or other person to perform any action on behalf of the Board of Directors under the supervision of the Board of Directors, or granting the power-of-attorney to such person to perform any action as the Board of Directors may think fit provided,

however, that the Board of Directors has the sole discretion to revoke or modify such power-of-attorney as the Board of Directors may think fit.

For this purpose, the Board may authorize the Executive Committee with authority to perform duties with details of authorization as the boundaries of authority of the Executive Committee, no authorization will be enable the Executive Committee consider and approve the transaction which may cause a conflict of interest between himself or any related person or interested person as the one party and the Company as the other party, unless it is granted following the approved policies and criteria previously set out by the Board of Directors.

5. To determine policies, business strategy, business plan and budgets of the Company, and to supervise the administration and management including the follow up the results of the operation which performed by the Executive Committee in order to ensure the proper compliance with the plan, policies and budget. With the exception where the Board of Directors must receive approval from Shareholders meeting before proceeding, being where the law state that must receive approval from Shareholders meeting before proceeding such as increase or reduction in capital, issue of debentures or transfer of business operation in part or full to other parties or to purchase other businesses into the company or make amendments to the Articles of Association.

Aside from this the Board has the duty of governing the company to operate according to the laws of the Securities or regulations of the Securities Exchange such as conducting transactions related to the sale or purchase of essential assets according to regulations of the Stock Exchange of Thailand or any other business related laws.

6. To consider the structure of the management of the company. To appoint the Executive Directors, the Executive Committee Chairman and the Directors.
7. To monitor the operation of the company to ensure that targets will be achieved or overachieved.
8. Directors must not operate a business that is in competition with the business of company, or the partner in the limited or unlimited partnership or be the managing partner of the limited partnership or be the director of the private company and it is in competition with the same business of the company for self interest or other interest, unless it is inform the shareholders' meeting prior to resolution of appointment.
9. Director should inform immediately of any Conflict of Interest to the company with the company's agreement or hold Share or Debentures to increase or decrease in the company or the affiliated Company.

The Board of Directors' Meeting

In 2006, the Board of Directors held 4 meetings. The number of meetings that each director attended as followed:

- | | |
|------------------------|------------|
| 1. Mr. Sanit Worapanya | 4 meetings |
| 2. Mr. Sutham Malila | 3 meetings |

3.	Ms. Nongram Laohaareedilok	4 meetings
4.	Mr. Pongchai Amatanont	4 meetings
5.	Mrs. Rangsee Lerttripinyo	4 meetings
6.	Mr. Kaelic Amatanont	4 meetings
7.	Mrs. Matinee Wandeepirom	4 meetings
8.	Mr. Boonya Tantipanichaphan	2 meetings
9.	Ms. Chonticha Siripongpreeda	4 meetings

The Executive Committee

As at December 31, 2006, there are 3 members on the company's Executive Committee

Item	Name	Position
1	Mr. Pongchai Amatanont	Chairman
2	Mrs. Rangsee Lerttripinyo	Director
3	Ms. Chonticha Siripongpreeda	Director

Power, Duties and Responsibilities of the Executive Committee

The Board of Directors' meeting no. 1/2548 of Forth Corporation Public Company Limited, on July 18, 2005 has set power, duties and responsibilities for Executive Directors as follows;

1. To operate and manage the business of the Company in compliance with Company's objectives, Memorandum of Association, policies, regulations, notifications, orders as well as the resolution of the Board of Directors and/or shareholders' meeting.
2. To establish policies, business plan, directions, strategies, budget, human resource management, investment in information system technology business expansion, Public relation, and govern the sub committee's work to meet the target.
3. To evaluate the allotment of the annual budget from management team before proposing to the Board of Directors for consideration and approval , also to include consideration and approval of changes and additions to the annual budget during periods where there are no Board meetings and submit to the Board for the next meeting.
4. Authority to approve the payment of the normal operation of the company (such as purchase of assets, machinery, vehicles), except the purchase of materials that proceed not exceed baht 20 million.
5. Authority to approve the payment of essential investments that were set at the annual budget that was assigned by Board of Directors or Board of Directors used to has approval in principle.
6. Authority to approve for making loan, obtain a credit facilities or issuing debt instrument including collateral or proceeds not over baht 50 million.
7. To be consultants of management team in the policies about finance, marketing, human resource, and other operations.

8. To set the structure of organization and level of authorization including the appointment, hiring, transferring, salary, remuneration, bonus of Executive and termination.
9. Authority to authorize any one or more directors or other persons to perform any action under the supervision of the Executive Committee, or granting the power-of-attorney to such person(s) to perform any action within the specified time as the Executive Committee may think fit; provided, however, that the Executive Committee has the sole discretion to revoke or modify such designated person or power-of-attorney as the Executive Committee may think fit.
10. To carry out the activities that the Board of directors appoints to them.

The power, duties and responsibilities of the executive committee not including the resolution which directors or other persons may have a conflict of interest or vested interest with the company or the subsidiaries. According to relevant laws and the company's regulation, those transactions require approval from the Board of Directors and/or the Shareholders' meeting.

The Audit Committee

As at December 31, 2006, there were 3 members on the Company's Audit Committee

Item	Name	Position
1	Mr. Sanit Worapanya	Chairman of the Audit Committee
2	Mr. Sutham Malila	Audit Committee
3	Ms. Nongram Laohaareedilok	Audit Committee

Powers, duties and responsibilities of the Audit Committee

1. To review the company's financial reporting process, both quarterly and annual, to ensure accuracy and adequate disclosure by consulting with external auditors and Executives responsible for preparing financial reports, the Audit Committee may suggest that the auditor review as necessary and essential transactions during the company audit period.
2. To ensure that the company maintains an appropriate and efficient internal control system by review together with external auditor and internal auditor (if any).
3. To ensure that the company complies with the securities and securities exchange law, regulations of the Stock Exchange or other relevant laws related to the company.
4. To select and propose for the appointment of the auditor and make recommendation of remuneration of the auditor, after considering the reliability and sufficiency resources, and the quantity of the audit account of that audit firm. Including, the experience of the personnel assigned to audit the company's accounts.
5. To ensure the completely and accuracy of disclosure about the related transactions or transactions that could create a conflict of interest.
6. To perform any other acts as delegated by the Board of Directors and approved by the Audit Committee such as review of financial and risk management policy, review of business ethics of

executives, review with the company executives on essential reports to be open to public as regulated by law, as the report and analysis of management.

7. To prepare Audit Committee's activities Report to be published in the annual report. This report must be signed by Chairman of the Audit Committee, and should consist of the following information:
 - 7.1 Opinion of the process and disclosure of data in the financial report for correctness completeness, and reliability.
 - 7.2 Opinions on the sufficiency of internal control system.
 - 7.3 Trustily reasons that the auditor of the company is suitable to reappoint for a new term.
 - 7.4 Opinion on the practice complies with the securities and securities exchange law, regulations of the Exchange and other relevant laws.
 - 7.5 Consider whether other reports should be known to The shareholders and the investors under the powers, duties and responsibilities of Board of directors.
8. To report the operation of the Audit Committee to Board of directors at least one time per year.
9. Authority to check and verify as necessary matters including the seeking of personal opinions from professionals when considered necessary at the company expense in order of Completely operations under responsibility.

Management Team

As at December 31, 2006 there are 6 members on the Management team

Item	Name	Position
1	Mr. Pongchai Amatanont	Managing Director / Vice President of affiliated company management / (Acting) Vice President of marketing and service
2	Mrs. Rangsee Lerttripinyo	Executive Director
3	Mr. Pramote Pantina	Vice President of Production
4	Mr. Sawad Aerbchokchai	Vice President of Research & Development
5	Mr. Amorn Ungsakulprecha	Vice President of Accounting and Finance
6	Mrs. Suchada Tuansomboon	(Acting) Vice President of Off ice Administration

Powers, duties and responsibilities of Managing Director

The Board of Directors' meeting no. 1/2548 on July 18, 2005 has set powers, duties and responsibilities for Managing Director as followed;

1. To manage and control the overall operation and/or daily operation of the company.
2. To manage or carry out assignments in accordance to policies, plans and budgets that has been set by the Board of Directors and / or the Executive Committee.
3. To manage the company's business as delegated in order to ensure that objectives will be met and to ensure the compliance with policies, regulations, commands, disciplines, resolution of

shareholders' meeting and / or resolution of the Board of Directors and the Executive Committee's meeting.

4. Authority to assign the authority to others and / or the assigning should be under the limit of this letter of power of attorney and / or as follow the rules, regulations or instructions of the Board of Directors.
5. To monitor the operation of the company and to protect from risks whether they be internal and external to the company.
6. To consider the entering of an agreement related to the company's business, and the agreements which are beneficial to the company's operation including procedures and methods of entering agreements to offer the Executive committees and / or the Board of Directors.
7. Authority to approve the payment for the normal business operation of the company (example: fixed assets, machinery and vehicle acquisition) except for the purchase of materials, for amounts in each transaction not exceeding baht 10 million.
8. To allocate for pensions, rewards or other benefit that the Board of Directors have approved to the Company's employees or other persons working for the company.
9. Authority to consider in hiring or appointment personnel including the transfer across another sector/division/department or to terminate from employee of the company. To set the salary, benefit and bonus including, workers benefits of all employees in the company except for the Executive Officer.
10. Authority to give orders, set disciplines, issues notices and memos to ensure that operations are carried out in the way that benefits the company and complies with the company's policies.
11. To perform the duties beside normal duties as assigned by the Board of Directors.

The power or power that is delegated to other persons, not including powers and / or delegated power to approve transactions which the delegated person may have conflict of interest or vested interest with the company or the subsidiaries according to the regulation of the Stock Exchange of Thailand (SET). The above transactions need to propose to the Board of Directors and/or Shareholders Meeting for consideration and approve under the Company's regulation or the relevant laws.

Selection of Board Members and Executives

Currently, the company does not have the Nomination Committee. The Company's directors will be approved by Shareholders' meeting under the methods as followed:

1. A shareholder shall have one vote per share for each share held.
2. In selecting company directors, voting by each shareholder can use all the voting rights to vote for one or more persons as deemed suitable by the Shareholders meeting. However, in voting on any resolutions each Shareholder is allowed to vote as their right as in item 1, but not allowed to assign any amount of their right votes to any person.
3. The Directors' selection vote shall be decided on the basis of the majority of the vote cast. In case of a tie of votes, the chairman presiding over the meeting shall have the casting vote.

Qualification and Selection of Audit Committee Independent Director

1. Independent Director shall hold no as well as persons who may create a conflict of interest, in the sense that it may obstruct more than 5 percent of voting shares in the Company, subsidiaries and associated.
2. Independent director shall not be the company's employee or advisor who receives month remuneration and shall not have power to control the company, subsidiaries and associated as well as persons who may create a conflict of interest, in the sense that it may obstruct.
3. Is not a close relative-or related by marriage or laws or a registered couple with person who may have conflict of interest.
4. Independent Director must not be related to the company, subsidiaries and associated business as well as persons who may create a conflict of interest, in the sense that it may obstruct independent assessment.
5. No other qualities that would not allow the free of opinion about the management of the company.

Executive Remuneration

1. Monetary Remuneration

The Company Directors (9 Persons)

Item	Name	Amount	Type
1	Mr. Sanit Worapanya	168,000	Meeting allowance
2	Mr. Sutham Malila	114,000	Meeting allowance
3	Ms. Nongram Laohaareedilok	152,000	Meeting allowance
4	Mr. Pongchai Amatanont	40,000	Meeting allowance
5	Mrs. Rangsee Lerttripinyo	40,000	Meeting allowance
6	Mr. Kaelic Amatanont	40,000	Meeting allowance
7	Mrs. Matinee Wandeepirom	40,000	Meeting allowance
8	Mr. Boonya Tantipanichaphan	20,000	Meeting allowance
9	Ms. Chonthicha Siripongpreeda	40,000	Meeting allowance

Executive Directors and Executives (10 Persons)

Total Amount

26,578,499 baht

Types

Salary, Bonus, Transportation Allowance, Pension Fund

2. Other benefits -none-

Corporation Governance

Board of directors realizes the relevant of the principal and good practice of the Company's director that comply with Code of Best Practices for Directors of Listed Company under the way of the Stock Exchange of Thailand. The Company used this practice to comply. Furthermore, the Company brings the Good Corporate Governance Principal 14 principals to be the way to improve management policy and business operation. The Company has clear policy and procedures that ensure transparency, controllable, and to protect the interest of shareholder, Investors, employees and the related persons by considering and setting good corporate governance. In Board of directors' meeting no. 1/2006 which being held at April 7, 2006, the Company has ruled out the principal frameworks as follow:

1. Policy for Corporate Governance: To be transparency and audibility of management including sufficiency of disclosure and offer equitable to shareholders and stakeholders equally.
2. Right and Equitable treatment of shareholder: The Company usually set up Shareholders' meeting and also informs date time and provides the necessary document not less than 7 days.
3. Right of Stakeholders: The Company realizes the relevant of stakeholders who concern in the company's operation. To support the co-operating between the company and stakeholders for creating maximum economics value to the company, this concerns as long-term success of the Company.
4. Shareholder Meeting: In Shareholders' meeting, the Company gives the equal opportunity for the Shareholders. The period of meeting will be arranged appropriately and opened for shareholders to inquiry and suggest to Board of directors.
5. Leadership and Vision: The Company has setup the duties of Board of directors and Management clearly which involved in planning of the company's strategy, objective, policy, and budget. Including Internal Control to ensure that the Business follows the plan and budget effective and efficiency.
6. Conflict of Interests: Audit committee proposed the preventive action for conflict of interest carefully and truthfully. Reasonable and independence of business ethics to get the total benefit, procedures to prevent conflict of interest follow the Stock Exchange of Thailand (SET) regulations.
7. Business Ethic: The Company provides the disciplines of directors, management, and personnel according Code of Ethics or Statement of Business Conduct. The company provides documentary about work role, honest, and punishment for directors, management, and personnel to follow, and all know that regulations.
8. Counterbalance of Non-executive Director: the Company appointed 3 Audit Committee to perform the duties in reviewing internal control and the Company's governance. Audit Committee has power and scope under the Stock Exchange of Thailand regulations. Audit Committee has to hold meeting at least 1 time per quarter and there is the extraordinary meeting that the Audit Committee will report to the Board of Directors.

9. Distinction of office: Chairman of the Board of Directors and Managing Director are not the same person for segregation of management duty. The Company has clearly identified power and duty of managing director. If there is not normal business transaction, Managing Director has to raise issue to be considered by Board of Directors and having 3 Audit Committee 5 involve in consideration and having Audit Committee also ensure the balancing of the management.
10. Remuneration of Directors and the Management: The Company has set the clearly and appropriated remuneration to the directors and the management comparable to the same industry. The remuneration for directors and management is high enough to maintain and induce the good quality of directors and management.
11. Board of Directors' Meeting: Board of Directors' meeting will be held quarterly, When there is special case, the Company has to hold special meeting immediately. The letter and documentary for meeting will be arranged and sent for making understanding to directors at least 7 days before meeting.
12. Internal Control and Internal Audit System: the Company provides internal control system for effective operation in management and operation level. The Company has set duty and power clearly for operator and management, set controllable the assets usage in efficiency. The system has segregated duty of operator, Controller and Evaluation for balancing power and suitable audit. Furthermore, the Company provide person to responsible in evaluation internal control and directly report to audit Committee and provide external auditor to evaluate and review internal control system during annual audit period.
13. The Board of Director's report: Board of Directors and Audit Committee have to take responsible for quarterly and yearly financial statements. Board of directors and Audit Committee still has to arrange evaluation of internal control and disclosure of information in declaration report and annual report.
14. Relationship with Investors: The Company and the subsidiary company realize to make a good relation with investors by disclosure of information which cause to investors' decisions under the regulation of SEC and the Stock Exchange. Furthermore, Investors can update the information thru www.forth.co.th.

The Control of the Internal Information

The Company has discipline for employee, management and insider person to prohibit disclosure of inside information about operating results and trading from the knowing date until the issuing public date and prohibit disclosing inside information for the stock speculation.

Furthermore, the Company also informs all management including his spouse and his child, to report any changes in their securities holding and punishment regard to Securities and Stock exchange Act B.E. 2535 Directors and management must submit this copy of report to the Company at the same day with submission to SEC that proposed to submit with in 3 days.

Related parties Transactions

According to the consolidated financial statements of 2006, Group of Forth Corporation Public Company Limited has the related Parties transactions as following:

The Company with Related parties	Nature of relationship	Description	Amount (Baht)	Nature and condition of Transaction	Necessary and reasonable of transaction
			For the year 2006		
Mr. Pongchai Amatanont	As at 31 December 2006, he is the company's director and holding share 49%	Rental fee	120,000	The Company rents plant located at Factory Land from Mr. Pongchai to be factory. The appraisal price by the independent appraiser is 40,000 Baht/month	The Company business transaction with shareholder is the normal business.
		Rental fee	456,000	GTS rents plant located at Factory Land from Mr. Pongchai to be GTS's factory. There is no appraisal by the independent appraisal	

The Company with Related parties	Nature of relationship	Description	Amount (Baht)	Nature and condition of Transaction	Necessary and reasonable of transaction
			For the year 2006		
Mrs. Rangsee Lertripinyo	As at 31 December 2006 , she is the company 's director and holding share 6%	Rental fee	3,600	The Company rents 3 S\store of 3 building located at 226/13 Phaholyotin Road from Mrs. Rangsee to be the company's office. The appraisal price by the independent appraisal is 96,000 Baht/month	The Company business transaction with shareholder is the normal business.
		Rental fee	120,000	GEM rents 3 story building located at 228/1 Phaholyotin Road from Mrs. Rangsee to be GEM's office. The appraisal price by the independent appraisal is 26,400 Baht/month	
		Rental fee	23,750	FTS rents 3 story building located at 226/3 Phaholyotin Road from Mrs.Rangsee to be FTS's office. There is no appraisal by the independent appraisal	

The Company with Related parties	Nature of relationship	Description	Amount (Baht)	Nature and condition of Transaction	Necessary and reasonable of transaction
			For the year 2006		
Mr. Poonsak Siripongpreeda	As at 31 December 2006, he holds 3% of total share.	Rental fee	-	Mr. Poonsak gives right in a building on Ban More Road to be ES's office with no chargeable.	The Company business transaction with shareholder is advantage with the company.
Genius Electronic Meter Co, Ltd.	As at 31 December 2006, Forth Corporation PCL. holds 45% of total shares	Account Receivable - Beginning Balance - Sales - VAT - Decrease - Ending Balance Account Payable - Beginning Balance - Purchase - VAT - Decrease - Ending Balance	108,589 6,990,926 489,365 (698,926) <u>6,889,954</u> - 1,380,433 96,630 (446,629) <u>1,030,434</u>	This is normal business transaction and normal price with other person.	The Company business transactions with the related company are the normal transactions that are suitable and necessary to during business with the suitable and reasonable trade conditions.

The Company with Related parties	Nature of relationship	Description	Amount (Baht)	Nature and condition of Transaction	Necessary and reasonable of transaction
			For the year 2006		
Forth Tracking System Co., Ltd.	As at 31 December 2006, Forth Corporation PCL. hold 34% of total shares	Account Receivable - Beginning Balance - Sale - VAT - Decrease - Ending Balance Account Payable - Beginning Balance - Purchase - VAT - Decrease - Ending Balance	171,966 10,870,378 760,926 (1,855,638) <u>9,947,632</u> - 319,500 22,365 (318,325) <u>23,540</u>	This is normal business transaction and normal price with other person.	The Company business transactions with the related company are the normal transactions that are suitable and necessary to during business with the suitable and reasonable trade conditions.
Genius Electronic Transformer company Co., Ltd.	As at 31 December 2006, The same shareholder used to hold 35% of total shares and had the same director, Mr. pongchai Amatanont, but Mr. pongchai resigned from director since 28 October 2005	Account Receivable - Beginning Balance - Sale - VAT - Rental Revenue - Decrease - Ending Balance	1,142,084 1,675,236 117,267 720,000 (3,081,368) <u>573,219</u>	This is normal business transaction and normal price with other person.	The Company business transactions with the related company are the normal transactions that are suitable and necessary to during business with the suitable and reasonable trade conditions.

The Company with Related parties	Nature of relationship	Description	Amount (Baht)	Nature and condition of Transaction	Necessary and reasonable of transaction
			For the year 2006		
		Account Payable - Beginning Balance - Purchase - VAT - Decrease - Ending Balance Rental Revenue	2,274,169 18,587,000 1,301,090 <u>(22,162,259)</u> = 720,000	This is normal business transaction and normal price with other person. GET rents the company's factory located at 66/350 Raiking, Sampran, Nakorn Phatom, for keeping inventory. The appraisal price by the independent is 55,000 Baht/month	
Joint venture FORTH	As at 31 December 2006, Forth Corporation PCL. Has entered into joint venture agreement with other company at the ratio of 25:25 but there is paid up capital.	Account Receivable - Beginning Balance - Advance - Ending Balance	- <u>34,900</u> <u>34,900</u>	This is normal business transaction.	The Company business transactions with the related company are the normal transactions that are suitable and necessary to during business with the suitable and reasonable trade conditions

The Company with Related parties	Nature of relationship	Description	Amount (Baht)	Nature and condition of Transaction	Necessary and reasonable of transaction
			For the year 2006		
Joint venture Genius Traffic – Service Intercall	The subsidiary has portion 20% in this joint venture	Account Receivable - Beginning Balance - Sale - VAT - Decrease - Ending Balance	- 1,683,000 117,810 <u>(1,800,810)</u> =	This is normal business transaction and normal price with other person.	The Company business transactions with the related company are the normal transactions that are suitable and necessary to during business with the suitable and reasonable trade conditions

Measurement or Procedures to Approve the Related Transaction

In case that the Company has a transaction with a related company who may have conflicts of interest or stakes or future conflicts of interest, the Audit Committee will present opinion on the necessity of entering the transaction and on the appropriateness of the price by considering all the conditions in according with operations in the same type of industry and comparing with the external price or the market price. If the Audit Committee is not specialized on the related transaction, the Company will provide an independent specialist or the Company's Auditor to make suggestions on the transaction for the decision making of the Board of director, the Audit Committee or the shareholders. The executive in conflict will have no right to vote in the transaction, which will be disclosed in the notification attached the financial statement audited or reviewed by the Company Accountant. Besides, the related transactions of the Company will comply with the Law of Asset and Stock Exchange Market, the obligations, announcements, orders or the requirements of the Stock Exchange of Thailand. Thus the executive who may have conflicts of interest or a vested interest or benefits from the transaction can not vote in the related transaction.

Policy on Future Related Transactions

In the future related transactions, the Company and the subsidiary companies will comply with the Law of Assets and Stock Exchange Market, the obligations, announcements, orders or the requirements of the Stock Exchange of Thailand including the Accounting Standards on the disclosure of data of person or related activities which is required by the Accountant Federation of Accounting Professions.

In case of regular transactions which will continue in the future, the Company has set up criteria and directions in compliance with the general commerce by referring to reasonable price and appropriate conditions which can be audited and be presented to the Audit Committee to consider approval the criteria and directions.

In case of related transaction on asset renting between related companies, the Company has set up clear criteria and directions in compliance with the general commerce with the reference of the reasonable price and appropriate conditions which can be audited and be presented to the Audit Committee to consider approval of the criteria and directions.

In the case of being a related transaction with conflicts of interest between the Company or the related person, to avoid from future disputes from conflict of interest that may arise from conducting the transaction, the Company views that it is appropriate that the following transactions need to be pre-approved by the Audit Committee.

- 1) Loan transactions from the related person.
- 2) Advance budget for the Directors

Financial Analysis

Management Discussion and Analysis

Operating Results Overview

In 2006, The Company has the continuous growth of operating results. Our group has total revenue Baht 2,480 million comparing with Baht 1,679 million of 2005 or increasing 48% that drive a big growth of net income to be Baht 213 million in 2206 comparing with Baht 32 million in 2205 or increasing 565%. The explanation of operating results is shown as below.

Revenues

At present, The Company's main revenue comes from 7 business groups as the followings.

(1) Revenue from manufacturing and sale telecommunication equipment and electronic equipment under brand "FORTH"

(2) Revenue from print circuit board and electronic equipment assembling under the customer brand

(3) Revenue from manufacturing, sale and installation traffic light system and equipment

(4) Revenue from manufacturing and sale Electric Light Screen

(5) Revenue from distribution of electronic parts

(6) Revenue from advertising on the Smart Traffic Boards

(7) Revenue from developing and implementing information system

Table of revenue's structure is the followings

	2005		2006		Variance
	Baht	%	Baht	%	%
Revenue from the main business					
1. Revenue from manufacturing and sale telecommunication equipment and electronic equipment under brand "FORTH"	338,319,816	20.15	532,186,081	21.45	54.30
2. Revenue from print circuit board and electronic equipment assembly under the customer brand					
2.1 Consign Parts Job	162,351,128	9.67	243,393,315	9.81	49.92
2.2 Turn key Job	542,385,195	32.31	603,298,414	24.32	11.23

	2005		2006		Variance
	Baht	%	Baht	%	%
Total revenue from print circuit board and electronic equipment assembling under the customer brand	704,736,323	41.98	846,691,729	34.13	20.14
3. Revenue from manufacturing, sale and installation traffic light system and equipment	124,138,385	7.39	238,990,444	9.63	92.52
4. Revenue from manufacturing and sale Electric Light Screen	-	-	14,793,950	0.60	-
5. Revenue from distribution of electronic parts	496,893,066	29.60	583,693,337	23.53	17.47
6. Revenue from advertising on the Smart Traffic Boards	-	-	119,166,667	4.80	-
7. Revenue from developing and implementing information system	-	-	105,537,675	4.25	-
Total revenue from the main business	1,664,087,590	99.12	2,441,059,882	98.41	46.69
Other income **	14,702,215	0.88	39,549,284	1.59	169.00
Total Revenues	1,678,789,805	100.00	2,480,609,166	100.00	47.76

Note

** Other income includes gain on exchange rate and rental income etc.

From table of revenue's structure, it shows that the Company has the main revenue from print circuit board and electronic equipment assembly under the customer brand. In 2005, this revenue has 42% of total revenues that is the risk which the Company realizes. The Company, therefore, has the policy to diversify to another new business such as advertising business and developing and implementing information system business. Furthermore, new goods under brand "FORTH" has been designed and developed such as new PABX with call center, Digital Loop Carrier (DLC), Digital Subscriber Line Access Multiplexer (DSLAM), Traffic Light System and Electric Light Screen. The above acting brings to the decrease of portion of Revenue from print circuit board and electronic equipment assembly under the customer brand to be 34% of total revenues.

The Analysis of revenue variation in each business group is the followings

1. Revenue from manufacturing and sale telecommunication equipment and electronic equipment under brand "FORTH"

In 2006, the Company has Revenue from manufacturing and sale telecommunication equipment and electronic equipment under brand “FORTH” in the amount of Baht 532.19 million increasing from Baht 338.32 million in 2005 or 54.30% because the successful developing of new product and sale to customer in 2006. The new products are new DLC and DSLAM that derive the sale volume amount of Baht 263.89 million.

2. Revenue from print circuit board and electronic equipment assembling under the customer brand

Revenue from print circuit board and electronic equipment assembling for electric appliances, computer equipment, telecommunication equipment, and other electronic equipment under the customer brand is divided to be consigned job that customer provided material to us for assembly and turn key job that the Company has to provide material and assembling for them.

In 2006, total revenue from print circuit board and electronic equipment assembling under the customer brand has the amount of Baht 846.69 million increasing from Baht 704.74 million in 2005 or 20.14% because the turn around of electronic industry that declined in 2005 continue to the second quarter of 2006. Therefore, a lot of customer’s orders are released to us because the new electric appliances were launched to the market.

3. Revenue from manufacturing, sale and installation traffic light system and equipment

In 2006, the Company has Revenue from manufacturing, sale and installation traffic light system and equipment in the amount of Baht 238.99 million increasing from Baht 124.14 million in 2005 or 92.52% because the successful developing of new product and sale to customer in 2006. The new products are new Automatic Traffic Control (ATC) which be installed at Had Yai Municipality and Nontaburi Police Office amounting Baht 32.32 million. Furthermore, the Company receives more contracts from other Municipality and Bangkok Metropolitan Authority because our quality products that are installed in Bangkok.

4. Revenue from manufacturing and sale Electric Light Screen

In 2006, the Company has Revenue from manufacturing and sale Electric Light Screen that is researched and developed completely in 2005 but just has a sale volume in 2006 amounting Baht 14.79 million because the Company exerts manpower and machinery in Smart Traffic Board in 2005 and did not do marketing with the customer.

5. Revenue from distribution of electronic parts

Revenue from distribution of electronic parts comes from the operation of ES which is a subsidiary company and operates the wholesale and retail of electronic parts and to be the electronic parts distributor.

In 2006, the Company has Revenue from distribution of electronic parts amounting Baht 583.69 million increasing from Baht 496.89 million in 2005 or 17.47% because the Company expand type of goods and increasing customer.

6. Revenue from advertising on the Smart Traffic Boards

Revenue from advertising on the Smart Traffic Boards comes from the operation of Joint Venture Genius that that grant the right from Bangkok Metropolitan Authority to install 40 smart traffic boards, maintenance and derive benefit from advertising. The Joint Venture also entered into an agreement granting a contractor the right to place advertisements with Hello Bangkok Trivision Company Limited amounting not included value added tax Baht 130 million annually. The Company recognizes revenue by the time and starting in February 2006. In 2006, the Company recognized the revenue amounting Baht 119.17 million and received all of annual fee during the first three month of 2006.

7. Revenue from developing and implementing information system

Revenue from developing and implementing information system comes from the operation of FORTH CONSORTIUM that operates in developing and implementing the Enterprise Resource Planning Software including Customer Service System (CSS) module and Billing Module for The Metropolitan Electricity Authority. The Company has a responsibility in the amount of Baht 378.81 million from the total project of Baht 549 million or 69% of project amount. In 2006, the Company recognized the revenue from developing and implementing information system amounting Baht 105.54 million.

Cost and Expenses

Cost of good sold

In 2006, the Company has cost of good sold amounting Baht 1,780 million comparing with Baht 1,277 million in 2005 or increasing 39% and they are 73% and 77% of total revenues respectively. This result is shown that there is the declining of cost of good sold per revenue's ratio because the increasing of machine utilization and it brought to the fixed costs was average and the occurring of economy of scale.

Selling and administrative expenses

In 2006, the Company has selling and administrative expenses amounting Baht 340.74 million increasing from Baht 277.78 million in 2005 or 22.67% because the increasing in employee expenses due to the increasing employees and normally increasing salary.

Financial Position

Assets

As at 31 December 2006, the Company has total assets amounting of Baht 2,239.56 million consists of current assets amounting of Baht 1,384.62 million or 61.83% of total assets. The main of current assets consists of accounts receivable by 19.58% of total assets and inventory by 28.77% of total assets. The Company has non-current assets amounting of Baht 854.95 or 38.17% of total assets including of property, plant and equipment and right to derive benefit from the traffic boards.

Quality of assets

Accounts receivable

As at 31 December 2006 and 2005, the Company has the outstanding of accounts receivable after eliminated the subsidiary balances amounting of Baht 438.61 million and Baht 325.99 million or increase 34.55% because the Company has launched new products and they increase a lot of sale volume and the other reason is the efficiency collection from customer that reduced to 59 days from 65 days in 2005.

The Company has credit term policy to customer average 30-90 days. The Company's accounts receivable are aged, based on due date, as follows:

Accounts receivable	Unit: Baht million	
	Consolidated	
	31 December 2005	31 December 2006
Not yet due	198.02	232.16
Past due		
Less than 1 month	96.82	120.05
1 – 3 months	27.23	73.51
3 – 12 months	8.26	13.15
Over 12 months	4.38	7.83
Total	334.72	446.70
Less: Allowance for doubtful accounts	8.73	8.09
Trade accounts receivable - net	325.99	438.61

As at 31 December 2006 and 2005, the Company has allowance for doubtful accounts amounting of Baht 8.09 million and 8.73 million. The Company believes that the above allowance for doubtful accounts is enough for the risk of outstanding accounts receivable. However, the Company's allowance for doubtful accounts policy based on the capable payment of customer and mainly of customer has long term business relation and a good relation with the Company. From the above reason, the Company and subsidiary companies have low risk in the default payment from customer. In each business, there is the same policy in setting up allowance for doubtful accounts. The policy has separated the allowance to be 2 parts. One is the specific allowance that is allowance for specific bad debt accounts receivable and overdue more than 365 days, the full amount will be set up allowance. The other is the general allowance that is allowance for general accounts receivable portion from aging report. Each business will set up percentage of accounts receivable amounts including the negotiation between each business and each overdue accounts receivable. The Company believe that the present allowance is enough.

Inventory

Unit: Baht million

Inventory	Consolidated	
	31 December 2005	31 December 2005
Raw materials	197.84	104.30
Work in process	146.07	262.61
Finished goods	253.63	338.56
Goods in transit	1.40	-
Total	598.94	705.47
Less: allowance for diminution in value of	55.56	61.06
Inventories, net	543.38	644.41

As at 31 December 2006 and 2005, the Company has inventory amounting of Baht 644.41 million and Baht 533.48 million or increasing 20.79% because the growth of sale. The main of inventory is finished goods under our own brand and distribution of electronic parts business.

In 2006, the Company has set up allowance for diminution in value of inventories increase amounting of Baht 5.50 million or up 10.52% that follows policy for setting up allowance for diminution in value of inventories. Starting from the 4th quarter of 2005, the management has given policy to warehouse department that has to do report about slow moving inventory for salespersons to distribute and using the discount price to manage.

Fixed assets

The Company's fixed assets consist of property, plant and equipment. As at 31 December 2006 and 2005, there is amounting of Baht 551.61 million and Baht 519.81 million or increasing 6.12% because the Company acquire machine amounting of Baht 71.07 million for increase modern technology production.

Sources of fund

Liabilities

As at 31 December 2006 and 2005, the Company has total liabilities amounting of Baht 1,110.13 million and Baht 1,309.54 million or decreasing 15.23% because the repayment of short term and long term loans to financial institutions amounting of Baht 83.89 million.

Shareholders' equity

As at 31 December 2006 and 2005, the Company has shareholders' equity amounting of Baht 1,129.44 million and Baht 490.38 million or increasing 130.32% because the receiving of share subscription that public offering in August 2006. The Company receives net cash after deducting the related share

subscription expenses amounting of Baht 456.46 million. In May 2006, the Company paid dividend for the 2005 operating results in the amount of Baht 30.89 million.

Capital Propriety

In 2006, the Company's debt to equity ratio decrease to be 0.98 from 2.67 of 2005 because the receiving of share subscription and bring to repay loan from financial institutions. At present, the Company's ratio is very strong and tries to maintain not higher ratio for reducing financial cost.

Liquidity

Cash Flows

In 2006, net cash flow from operating activities amounting Baht (153.35) million decrease from Baht (17.29) million in 2005. The main reasons are the increasing of account receivable complying with sale and during collection and the increasing of inventory complying with sale.

In 2006, net cash flow from investing activities amounting Baht (151.85) million increase from Baht (436.36) million in 2005. The main reason is the decreasing of property, plant and equipment acquisition.

In 2006, net cash flow from financing activities amounting Baht 304.73 million decreases from Baht 431.07 million in 2005. The main reasons are net share subscription receive from public offering and bring to repay loan from financial institutions less than loan received in 2005. Furthermore, there is dividend payment amount of Baht 30.89 million and bring to deposit with financial institutions to secure credit facilities in 2006.

Liquidity Ratios

When considering the Company's current ratio, we can look that current ratio increase from 0.80 in 2005 to be 1.30 in 2006 because the main Company's loan structure is short term loan and some was repaid during the year. The Company has increasing in account receivable and inventory from the business expansion. When considering the Company's quick ratio that increase from 0.33 in 2005 to be 0.51 in 2006 by the same reason of current ratio.

Audit fee for the year 2006

Item	The Company/Subsidiaries	Name of audit firm	Audit fee
1	Forth Corporation Public Company Limited	Ernst & Young Office Limited	970,000.00
2	Electronic Sources Company Limited	Ernst & Young Office Limited	515,000.00
3	Genius Traffic System Company Limited	Ernst & Young Office Limited	475,000.00
4	Joint Venture Genius	Ernst & Young Office Limited	70,000.00
Total audit fee			2,030,000.00

Future Projects

Turnkey Projects with Western Digital Co. Ltd.

In April 2007, the Company will begin to manufacture Hard Disk control circuits for Western Digital Co. Ltd. It is anticipated with the expansion of the factory, which will be completed by July 2007, productivity will be increased from 400,000 up to 600,000 units per month. To facilitate the increased capacity of 600,000 circuits per month, the Company has purchased and imported additional equipment that will expand the factory by two additional production lines. The required investment in connection with the expansion is 38 Million Baht for machinery and 15 million Baht on factory construction. Working Capital 168 million Baht has been set aside for the purchase of raw materials and gross sales will be 175 million Baht per month.

The planned expansion will increase productivity in the third quarter to meet the needs of Western Digital Co. Ltd and an analysis of Turnkey project will be undertaken to determine the cost/value of additional investment.

Digital Subscriber Line Access Multiplexer (DSLAM)

In 2006, DSLAM installed and located in every province of Thailand for the TOT PCL. 100,000 ports amount 200 million Baht. In 2007, TOT PCL. plan to expand to 100,000 ports. The Company expects to share not less than 200,000 ports and will have a value of not less than 400 million Baht.

Multi Service Access Node (MSAN)

In an effort to remain competitive, the Company has upgraded Digital Loop Carrier to the MSAN with higher capacity and will meet the future requirements of TOT, TT&T and TRUE. In 2006, 23 of MSAN and 18,000 ports were installed for TOT PCL. with a value of 69 million Baht and in 2007, the needs of TOT PCL. will increase and it is expected there will be an opportunity to provide additional installations for TOT PCL. of at least 40,000 lines at a value of 150. million Baht

Extension Phase of Genius Traffic Board Project

The company has decided to extend the Smart Traffic Board Project to an additional 40 after the initial 40 areas were completed. Meanwhile, the project is waiting approval from the Bangkok Metropolitan Administration of which it is anticipated to be given by the beginning of 2007. The required investment of the additional extension phase should be lower than the initial phase and the administrative costs will drop due to the availability of equipment and staff that are already in place. This drop in costs should ensure a shorten pay back period.

The IPSTAR Turnkey Project

In 2005, the Company began to manufacture the Computer Box Build which enables an internet connection to be established via the Thaikom 1-3 and IPSTAR satellites (Thaikom 4) owned by the Shin Satellite Public Co. Ltd. The project is a turnkey operation which means that the company is responsible for all phases of the production, from the purchase of raw material to the completed project. As at 28 February 2007, the Company has outstanding purchase orders and delivery amount 162 million Baht.

Turnkey Project of Vehicle Tracking Equipment

Currently, work is being undertaken to develop the ability to manufacture a Vehicle Tracking system for the Forth Tracking System Co. Ltd (FTS), which is an associated company. The Company owns 34 percent shares of Forth Tracking System Co. Ltd. Vehicle Tracking equipment is used to report data on the vehicle usage i.e., location, route, speed and present status of the vehicle, running or off by GPS System. The system sends a warning signal through the tracking system if the vehicle is off course or is being driven at the excessive speed. The Vehicle Tracking system provides the ability for a company to ensure efficient and safe operation of their vehicles.

Although FTS just begun in mid 2005, however, research, development and testing were initiated long before. At the present FTS ready for manufacturing with the target consumer being customers in the private sector who operate transportation businesses within the transportation industry. It is anticipated that in 2007, more than 80 million Baht will be received from orders and delivery.

Automatic Traffic Control: ATC

The Company has research and development project under GTS which produces Automatic Traffic Control (ATC). ATC is the big value project that use computer software control traffic light as a whole. This system will identify and switch the traffic light of each junction comply with the units of vehicles by using detector to fixed the abundantly of vehicles and calculate time to release the green light. This project will use the working capital 20 million Baht. In present, the Company already installs at Had Yai municipality and Nontaburi. The Company expects to install addition in Bangkok and other upcountry.

Report of Independent Auditor

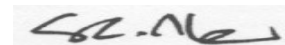
To The Board of Directors and Shareholders of
Forth Corporation Public Company Limited

I have audited the accompanying consolidated balance sheets of Forth Corporation Public Company Limited and its subsidiaries as at 31 December 2006 and 2005, the related consolidated statements of income, changes in shareholder's equity and cash flows for the years then ended, and the separate financial statements of Forth Corporation Public Company Limited for the same periods. 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 audits 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 statements presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Forth Corporation Public Company Limited and its subsidiaries and of Forth Corporation Public Company Limited as at 31 December 2006 and 2005, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the above financial statements, I draw attention to the matter as described in Note 4 to the financial statements that during 2006, the Company changed its accounting policy for investments in subsidiary and associated companies in the separate financial statements.



Supachai Phanyawattano

Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited
Bangkok : 26 February 2007

FORTH CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	Consolidated		The Company Only	
		2006	2005	2006	2005
					(Restated)
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		78,530,314	79,002,076	67,319,620	72,607,411
Trade accounts receivable - related parties	6	17,445,705	1,441,931	212,035,369	134,827,610
Trade accounts receivable - net	7	438,608,437	325,991,457	265,196,754	196,995,019
Short-term loan to subsidiary	6	-	-	54,608,240	46,194,589
Inventories - net	8	644,412,383	533,481,571	440,455,408	349,875,557
Unbilled receivables		149,558,296	27,512,002	63,387,675	-
Other current assets		56,064,338	41,765,245	40,767,968	20,826,072
TOTAL CURRENT ASSETS		1,384,619,473	1,009,194,282	1,143,771,034	821,326,258
NON - CURRENT ASSETS					
Restricted bank deposits	9	71,872,598	34,914,950	69,919,628	33,000,000
Investments in subsidiary and associated companies	10	4,509,324	9,489,008	77,851,424	70,881,108
Property, plant and equipment - net	11	551,605,613	519,810,826	495,798,877	459,517,978
Right to derive benefit from the traffic boards	12	214,657,789	207,897,691	-	-
Leasehold right		7,099,545	7,030,000	6,999,545	6,780,000
Corporate income tax receivable		-	7,973,069	-	7,973,069
Other non-current assets		5,200,497	3,609,747	2,856,522	2,253,489
TOTAL NON-CURRENT ASSETS		854,945,366	790,725,291	653,425,996	580,405,644
TOTAL ASSETS		2,239,564,839	1,799,919,573	1,797,197,030	1,401,731,902

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

FORTH CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2006 AND 2005

(Unit : Baht)

		Consolidated		The Company Only	
	Note	2006	2005	2006	2005
					(Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank overdrafts and short-term loans from financial institutions	13	640,729,787	717,919,904	467,886,916	503,304,649
Trade accounts payable - related parties	6	1,053,974	2,274,169	27,926,781	46,567,911
Trade accounts payable		312,747,347	376,807,590	229,133,167	308,707,274
Current portion for long term-loans	14	6,792,000	6,792,000	6,792,000	6,792,000
Deferred income	12	10,833,333	65,000,000	-	-
Other current liabilities					
Corporate income tax payable		45,893,428	15,754,703	28,616,940	4,073,329
Accrued expenses		24,681,775	32,875,719	14,131,251	24,361,517
Others		23,204,534	41,222,055	12,862,810	33,425,236
TOTAL CURRENT LIABILITIES		1,065,936,178	1,258,646,140	787,349,865	927,231,916
NON - CURRENT LIABILITIES					
Long-term loans, net of current portion	14	44,193,625	50,890,888	44,193,625	50,890,888
TOTAL NON - CURRENT LIABILITIES		44,193,625	50,890,888	44,193,625	50,890,888
TOTAL LIABILITIES		1,110,129,803	1,309,537,028	831,543,490	978,122,804
SHAREHOLDERS' EQUITY					
Share capital					
Registered					
515,000,000 ordinary shares of Baht 1 each					
(2005: 482,700,000 ordinary shares of Baht 1 each)	15	515,000,000	482,700,000	515,000,000	482,700,000
Issued and fully paid up					
480,000,000 ordinary shares of Baht 1 each					
(2005 : 386,100,000 ordinary shares of Baht 1 each)		480,000,000	386,100,000	480,000,000	386,100,000
Share Premium		362,557,877	-	362,557,877	-
Retained earnings of subsidiary companies arising as a result of the Company					
swapping shares of subsidiary companies at a price lower than					
the net book value of the subsidiary companies at the acquisition date		40,891,171	40,891,171	-	-
Retained earnings					
Appropriated - Statutory reserve	16	11,750,030	5,926,302	11,750,030	5,926,302
Unappropriated		234,235,958	57,465,072	111,345,633	31,582,796
TOTAL SHAREHOLDERS' EQUITY		1,129,435,036	490,382,545	965,653,540	423,609,098
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,239,564,839	1,799,919,573	1,797,197,030	1,401,731,902
		-	-	-	-

FORTH CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

		Consolidated		The Company Only	
	Note	2006	2005	2006	2005
					(Restated)
REVENUES					
Sales		1,789,229,900	1,433,698,264	1,231,419,399	1,023,310,247
Services		381,181,190	179,238,045	264,855,800	180,065,623
Revenues from project construction		270,648,791	52,466,571	105,537,675	-
Other income					
Gain on exchange		15,377,546	4,315,547	8,009,813	7,455,534
Reversal of allowance for diminution in value of inventories		-	-	3,345,487	-
Others		24,171,737	9,071,378	27,617,430	9,887,522
TOTAL REVENUES		2,480,609,164	1,678,789,805	1,640,785,604	1,220,718,926
EXPENSES					
Cost of sales		1,395,371,223	1,115,370,730	985,137,823	843,985,838
Cost of services		166,286,666	120,009,230	146,264,913	122,152,097
Cost of project construction		218,475,611	42,040,776	98,963,789	-
Selling and administrative expenses		340,735,741	277,782,364	201,396,637	185,949,722
Provision for loss from diminution in value of inventories		5,501,225	28,163,775	-	21,769,845
Provision for loss from diminution in value of investment in associated companies		-	-	4,979,683	3,564,352
Share of loss from investments in associated companies accounted for under equity method		4,979,683	3,564,352	-	-
TOTAL EXPENSES		2,131,350,149	1,586,931,227	1,436,742,845	1,177,421,854
INCOME BEFORE INTEREST EXPENSES AND CORPORATE INCOME TAX		349,259,015	91,858,578	204,042,759	43,297,072
INTEREST EXPENSES		(45,641,625)	(17,356,216)	(36,227,718)	(12,299,756)
CORPORATE INCOME TAX	18	(90,134,776)	(42,818,421)	(51,340,476)	(17,812,625)
NET INCOME FOR THE YEAR		213,482,614	31,683,941	116,474,565	13,184,691
BASIC EARNINGS PER SHARE					
Net income	20	0.51	0.08	0.28	0.03
Weighted average number of ordinary shares (Shares)		417,485,753	386,100,000	417,485,753	386,100,000

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

FORTH CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CASH FLOWS STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
				(Restated)
Cash flows from operating activities				
Net income for the year	213,482,614	31,683,941	116,474,565	13,184,691
Adjustments to reconcile net income to net cash provided by (paid from) operating activities :-				
Depreciation	85,230,569	77,454,101	72,004,537	68,544,945
Allowance for diminution in value of inventories (reversal)	5,501,226	28,163,775	(3,345,488)	21,769,845
Unrealised gain on exchange	(2,883,968)	(3,175,334)	(2,355,741)	(3,125,089)
Provision for loss from diminution in value of investment in associated companies	-	-	4,979,683	3,564,352
Share of loss from investments in associated companies accounted for under equity method	4,979,683	3,564,352	-	-
Bad debts	856,559	-	-	-
Allowance for doubtful accounts (reversal)	(638,046)	3,713,748	(205,585)	2,090,288
Amortisation for leasehold right and others	2,552,942	1,078,198	630,455	360,000
Loss (gain) on sales of property, plant and equipment	371,126	(228,717)	248,886	(95,980)
Amortisation for intangible assets	20,206,924	-	-	-
Realised from deferred income	(119,166,667)	-	-	-
Income for operating activities before changes in operating assets and liabilities	210,492,962	142,254,064	188,431,312	106,293,052
Decrease (increase) in operating assets :-				
Trade accounts receivable - related parties	(16,003,774)	(1,113,925)	(77,207,759)	(132,928,943)
Trade accounts receivable	(112,936,162)	(73,075,419)	(68,096,820)	(39,993,171)
Other receivable - related party	-	3,863,467	-	-
Inventories	(109,797,723)	(252,223,066)	(87,234,363)	(188,647,329)
Unbilled receivable	(122,046,294)	(27,512,002)	(63,387,675)	-
Other current assets	(16,107,386)	(25,308,590)	(19,941,896)	(7,513,978)
Corporate income tax receivable	7,973,069	-	7,973,069	-
Other non-current assets	(1,590,750)	(649,849)	(603,032)	(462,820)
Increase (decrease) in operating liabilities :-				
Trade accounts payable-related parties	(1,220,196)	(146,153)	(18,641,130)	3,903,658
Trade accounts payable	(59,850,260)	141,933,145	(77,117,697)	142,644,040
Accrued expenses	(8,193,944)	(17,188,321)	(10,230,265)	8,355,387
Corporate income tax payable	30,138,725	440,726	24,543,612	4,073,329
Deferred income	65,000,000	65,000,000	-	-
Other current liabilities	(19,207,062)	26,440,215	(20,562,426)	25,136,179
Net cash flows used in operating activities	(153,348,795)	(17,285,708)	(222,075,070)	(79,140,596)

FORTH CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CASH FLOWS STATEMENTS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
				(Restated)
Cash flows from investing activities				
Proceeds from sales of equipment	575,309	287,889	575,309	111,048
Acquisition of equipment	-124,606,104	-216,099,194	-109,109,632	-167,237,918
Increase in right to derive benefit from the traffic boards	-26,967,021	-207,897,691	-	-
Increase in short-term loan to subsidiary companies	-	-	(8,413,651)	(46,194,589)
Increase in investments in subsidiary companies	-	-	(11,950,000)	(5,360,000)
Increase in investments in associated companies	-	-12,649,700	-	-12,649,700
Increase in leasehold right	-850,000		-850,000	
Net cash flows used in investing activities	(151,847,816)	(436,358,696)	(129,747,974)	(231,331,159)
Cash flows from financing activities				
Increase in restricted bank deposit	-36,957,648	-32,054,037	(36,919,628)	(33,000,000)
Increase (decrease) in bank overdrafts and short-term loans				
from financial institutions	-77,190,117	405,370,791	-35,417,733	325,388,022
Cash received from long-term loan	-	61,000,000	-	61,000,000
Repayment of long-term loan	-6,697,263	-3,317,112	-6,697,263	-3,317,112
Cash received from call in arrears	-	67,900	-	67,900
Dividend paid	-30,888,000	-	(30,888,000)	-
Cash received from increase in share capital - net				
from direct relevant expenses	456,457,877	-	456,457,877	-
Net cash flows from financing activities	304,724,849	431,067,542	346,535,253	350,138,810
Net increase (decrease) in cash and cash equivalents	(471,762)	(22,576,862)	(5,287,791)	39,667,055
Cash and cash equivalents at beginning of year	79,002,076	101,578,938	72,607,411	32,940,356
Cash and cash equivalents at end of year	78,530,314	79,002,076	67,319,620	72,607,411
	-	-	-	-
Supplemental cash flows information :-				
Cash paid during the year for				
Interest expenses	45,696,797	17,298,609	36,242,426	12,285,048
Corporate income tax	63,766,442	44,142,746	26,796,864	13,739,296

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

	swapping shares of subsidiary companies at a price lower than the net book value of the subsidiary						
	Issued and fully paid-up share capital	Share premium	Call in arrears	companies at the acquisition date	Retained earnings		Total
					Appropriated Statutory reserve	Unappropriated	
Balance as at 31 December 2004	386,100,000	-	(67,900)	40,891,171	4,342,105	27,365,328	458,630,704
Received call in arrears	-	-	67,900	-	-	-	67,900
Transferred to statutory reserve	-	-	-	-	1,584,197	(1,584,197)	-
Net income for the year	-	-	-	-	-	31,683,941	31,683,941
Balance as at 31 December 2005	386,100,000	-	-	40,891,171	5,926,302	57,465,072	490,382,545
Increase in share capital (Note 15)	93,900,000	362,557,877	-	-	-	-	456,457,877
Dividend paid (Note 23)	-	-	-	-	-	(30,888,000)	(30,888,000)
Transferred to statutory reserve	-	-	-	-	5,823,728	(5,823,728)	-
Net income for the year	-	-	-	-	-	213,482,614	213,482,614
Balance as at 31 December 2006	480,000,000	362,557,877	-	40,891,171	11,750,030	234,235,958	1,129,435,036
							-

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

FORTH CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005
(Unit : Baht)

	The Company Only					
	Retained earnings of subsidiary companies arising as a result of the Company swapping shares of subsidiary companies at a price lower than the net book value of the subsidiary companies at the acquisition date				Retained earnings	
	Issued and fully paid-up share capital	Share premium	Call in arrears		Appropriated Statutory reserve	Unappropriated
Balance as at 31 December 2004 - as previously reported	386,100,000	-	(67,900)	40,891,171	4,342,105	27,365,328
Cumulative effect of the change in accounting policy for investments in subsidiary and associated companies in separate financial statements (Note 4)	-	-	-	(40,891,171)	-	(7,383,026)
Balance as at 31 December 2004 - as restated	386,100,000	-	(67,900)	-	4,342,105	19,982,302
Received call in arrears	-	-	67,900	-	-	-
Transferred to statutory reserve	-	-	-	-	1,584,197	(1,584,197)
Net income for the year - restated (Note 4)	-	-	-	-	-	13,184,691
Balance as at 31 December 2005	386,100,000	-	-	-	5,926,302	31,582,796
Increase in share capital (Note 15)	93,900,000	362,557,877	-	-	-	-
Dividend paid (Note 23)	-	-	-	-	-	(30,888,000)
Transferred to statutory reserve	-	-	-	-	5,823,728	(5,823,728)
Net income for the year	-	-	-	-	-	116,474,565
Balance as at 31 December 2006	480,000,000	362,557,877	-	-	11,750,030	111,345,633

FORTH CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

FORTH CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

1. GENERAL INFORMATION

Forth Corporation Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of telecommunication equipment, electronic equipment and assembly of electronic parts and its registered address is No. 226/12, 13 and 16 Phaholyothin Road, Samsennai, Phayathai, Bangkok.

Its ordinary shares were listed on the Stock Exchange of Thailand on 8 September 2006.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

3 BASIS OF CONSOLIDATION

3.1 These consolidated financial statements include the financial statements of Forth Corporation Public Company Limited, its subsidiaries and joint venture as detailed below:-

Company's name	Nature of business	Capital registered (Baht)	Percentage of shareholdings		Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the year ended 31 December	
			2006	2005	2006	2005	2006	2005
			Percent	Percent	Percent	Percent	Percent	Percent
Electronics Source Co., Ltd.	Trading of electronic parts	50,000,000	100	100	14	15	24	30
Genius Traffic System Co.,Ltd.	Sale and installment of light board and traffic systems	10,000,000	100	100	10	8	10	7
Joint Venture Genius	Concessions for traffic board project	41,550,000	100	100	11	13	5	-

- 3.2 Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- 3.3 Investment in the subsidiaries companies as recorded in the Company's books of account are eliminated against the equity of the subsidiary companies.
- 3.4 The excess of book value of net assets acquired in subsidiaries under common control over the price at which they were exchanged is presented in shareholders' equity in the consolidated balance sheets under the caption "Retained earnings of subsidiary companies arising as a result of the Company swapping shares of subsidiary companies at a price lower than the net book value of the subsidiary companies at the acquisition date".
- 3.5 Together with certain contract partners, the Company and a subsidiary have established joint ventures to distribute goods and provide equipment installation services, whereby responsibilities under contracts are to be divided between the parties to the joint venture agreement according to the ability and expertise of each. The joint ventures are operated in the ordinary course of business, and can be summarised as follows:-

Joint Venture	Nature of Business	Percentage owned by the Company and its subsidiary	Status
Joint Venture KNVG Service	Sale and installment of traffic lights	10	Completely installment
Joint Venture Genius Traffic and Serviceintercall Company Limited	Sale and installment of traffic lights	20	Completely installment
Joint Venture Genius Traffic – Serviceintercall	Sale and installment of traffic lights	20	Completely installment

Since the outstanding balances and operations of the joint ventures are not material to the consolidated financial statements. The assets, liabilities and the operations of the joint ventures have not been consolidated.

4. CHANGE IN ACCOUNTING POLICY/ADOPTION OF NEW ACCOUNTING STANDARD

In October 2006, the Federation of Accounting Professions issued Notification No. 26/2006 regarding Accounting Standard No. 44 “Consolidated Financial Statements and Accounting for Investments in Subsidiaries” (Amendment No. 1), under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method rather than the equity method. Entities which are not ready to adopt the cost method in 2006 can continue to use the equity method through the end of 2006 and adopt the cost method as from 1 January 2007.

In this regard, the Company has elected to adopt the change in 2006, and restated its prior year financial statements as though the investments in the subsidiary and associated companies had originally been recorded using the cost method. The change has the effect of decreasing net income in the separate financial statements of 2006 and 2005 by Baht 97.0 million and Baht 18.5 million, respectively (decreasing by Baht 0.23 per share and Baht 0.05 per share, respectively). The cumulative effect of the change in accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy for investments in subsidiary and associated companies in the separate financial statements” in the statements of changes in shareholders’ equity.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Revenues recognition

Sales of goods

Sales of goods are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Rendering of services

Service revenue is recognized when services have been rendered taking into account stage of completion.

Revenues from project construction

Revenues from project construction are recognized on a percentage of completion bases. The percentage of completion is measured using the proportion of costs incurred to date versus the total estimated cost to complete the construction. Revenue recognized but not yet due under contracts is presented under the caption of “Unbilled receivables” in the balance sheets.

5.2 Cost of project construction/ Expenses

Costs of project construction are recognized in accordance with the percentage of work completed based on total estimated costs. Provision for anticipated losses on construction projects is made in the accounts in full when the possibility of loss is ascertained.

Other expenses are recognized on an accrual basis.

5.3 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and cash at bank, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

5.4 Trade accounts receivable

Trade accounts receivable are stated at the net realizable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debtor aging.

5.5 Inventories

Finished goods and work in process are valued at the lower of cost (first-in, first-out method) and net realizable value. Cost is defined as all production costs and attributed to factory overheads.

Raw materials, spare parts and factory supplies are valued at the lower cost (first-in, first-out method) and net realizable value and are charged to production costs whenever consumed.

5.6 Investments

Investments in associated companies in the consolidated financial statements are accounted for under the equity method. Investments in subsidiary and associated companies in the separate financial statements are accounted for under the cost method.

5.7 Property, plant and equipment and depreciation

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis over the estimated useful lives, which are as follows :-

Building	20 years
Machinery	5 years
Motor vehicles	5 years
Others	3,5 years

No depreciation is provided on land and construction in progress.

5.8 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated by reference to cost on a straight-line basis over the expected future period of economic benefit of each type of intangible assets, as follows:-

Right to derive benefit from the traffic boards	9 years
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The amortisation is included in determining income.

5.9 Related party transactions

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

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

5.10 Foreign currencies

Foreign currency transactions are converted into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are converted into Baht at the exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

5.11 Employee benefits

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

5.12 Income tax

Income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation.

5.13 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting

amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

6. RELATED PARTY TRANSACTIONS

During the years, the Company and its subsidiaries conducted significant business transactions with related parties. These transactions, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions.

(Unit : Million Baht)					
		For the years ended 31 December			
	Pricing policy	Consolidated		The Company	
				Only	
		2006	2005	2006	2005
<u>Transactions with subsidiary companies</u>					
(Eliminated in consolidated financial statements)					
Purchases of raw materials	Compared to market price	-	-	69.8	109.2
Sales of goods	Compared to market price	-	-	113.3	158.2
Service income	Compared to market price	-	-	4.1	2.1
Management fee	Contract price	-	-	0.4	-
Interest income	Interest at 6% per annum	-	-	2.9	0.9
Rental income	Contract price	-	-	4.9	1.6
<u>Transactions with related companies</u>					
Purchases of raw materials	Compared to market price	20.3	7.8	20.2	4.7
Sales of goods	Compared to market price	21.2	7.5	19.2	3.2
Rental income	Contract price	0.7	0.7	0.7	0.7
<u>Transactions with director and related individually</u>					
Rental expenses	Contract price	1.1	0.8	0.5	0.5

The balances of the accounts as at 31 December 2006 and 2005 between the Company and those related companies are as follows:

(Unit : Baht)					
		Consolidated		The Company Only	
	Relationship	2006	2005	2006	2005
<u>Trade accounts receivable – related parties</u>					
Electronics Source Co., Ltd.	Subsidiary	-	-	1,624,420	592,875
Genius Traffic System Co., Ltd.	Subsidiary	-	-	190,167,676	130,714,798
Joint Venture Genius	Subsidiary	-	-	2,810,405	2,137,653
Genius Electronic Meter Co., Ltd.	Associated company	6,889,954	108,589	6,881,418	108,589
Forth Tracking System Co., Ltd.	Associated company	9,947,632	171,966	9,947,632	131,610
Genius Electronic Transformer Co., Ltd.	Formerly had common shareholders	573,219	1,161,376	568,918	1,142,085
Joint Venture Forth	Related party	34,900	-	34,900	-
Total		17,445,705	1,441,931	212,035,369	134,827,610
<u>Short-term loan to subsidiary</u>					
Genius Traffic System Co., Ltd.	Subsidiary	-	-	54,608,240	46,194,589
<u>Trade accounts payable – related parties</u>					
Electronics Source Co., Ltd.	Subsidiary	-	-	26,594,860	41,851,810
Genius Traffic System Co., Ltd.	Subsidiary	-	-	277,947	2,812,035
Genius Electronic Meter Co., Ltd.	Associated company	1,030,434	-	1,030,434	-
Forth Tracking System Co., Ltd.	Associated company	23,540	-	23,540	-
Genius Electronic Transformer Co., Ltd.	Formerly had Common shareholders	-	2,274,619	-	1,904,066

(Unit : Baht)

	Relationship	Consolidated		The Company Only	
		2006	2005	2006	2005
Total		<u>1,053,974</u>	<u>2,274,619</u>	<u>27,926,781</u>	<u>46,567,911</u>

Directors and management's remuneration

In 2006 the Company and its subsidiaries paid salaries, meeting allowances and gratuities to their directors and management totaling Baht 27.24 million (The Company only: Baht 18.17 million) (2005: Baht 20.76 million, The Company only: Baht 14.93 million).

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 24.2 to the financial statements.

7. TRADE ACCOUNTS RECEIVABLE

The outstanding balances of trade accounts receivable as at 31 December 2006 and 2005 are aged,

based on due date, as follows:

(Unit : Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Not yet due	232,161,396	198,022,346	151,669,688	125,461,013
Past due				
Less than 1 month	120,051,509	96,823,095	68,506,853	59,534,703
1 – 3 months	73,510,481	27,232,204	40,655,047	12,285,114
3 – 12 months	13,146,058	8,263,074	3,141,940	1,184,792
Over 12 months	7,832,437	4,382,228	5,050,181	2,561,937
Total	<u>446,701,881</u>	<u>334,722,947</u>	<u>269,023,709</u>	<u>201,027,559</u>
Less : Allowance for doubtful accounts	<u>(8,093,444)</u>	<u>(8,731,490)</u>	<u>(3,826,955)</u>	<u>(4,032,540)</u>
Trade accounts receivable, net	<u>438,608,437</u>	<u>325,991,457</u>	<u>265,196,754</u>	<u>196,995,019</u>

8. INVENTORIES

	(Unit : Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Raw materials	104,296,948	197,838,528	89,701,679	187,440,959
Work in progress	262,607,615	136,165,110	237,020,934	116,861,636
Finished goods	338,564,521	253,631,779	153,254,335	88,439,990
Goods in transit	-	1,401,629	-	-
Total	705,469,084	589,037,046	479,976,948	392,742,585
Less : Allowance for diminution in value of inventories	(61,056,701)	(55,555,475)	(39,521,540)	(42,867,028)
Inventories, net	644,412,383	533,481,571	440,455,408	349,875,557

9. RESTRICTED BANK DEPOSITS

These represent fixed deposits which the Company and its subsidiaries pledged with the banks to secure credit facilities as mentioned in the Note 13.

10. INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES

These represent investments in ordinary shares in the following subsidiary and associated companies.

(Unit : Baht)								
Company Name	Shareholdings		Paid up capital		Consolidated		The Company Only	
	Percentage							
	2006	2005	2006	2005	2006	2005	2006	2005
	Percent	Percent	(Thousand Baht)	(Thousand Baht)				
<u>Investments in subsidiary companies</u>								
(Eliminated from the consolidated financial statements)								
Electronics Source Co., Ltd.	100	100	50,000	50,000	-	-	54,975,800	54,975,800
Genius Traffic System Co., Ltd.	100	100	10,000	6,000	-	-	10,056,300	6,056,300
Joint Venture Genius	100	100	41,550	3,000	-	-	8,310,000	360,000
(20% held by the Company and 80% held by its subsidiary)								
Total investments in subsidiary companies					-	-	73,342,100	61,392,100

(Unit : Baht)

Company Name	Shareholdings		Paid up capital		Consolidated		The Company Only	
	Percentage							
	2006	2005	2006	2005	2006	2005	2006	2005
	Percent	Percent	(Thousand Baht)	(Thousand Baht)				
<u>Investments in associated companies</u>								
Genius Electronic Meter Co., Ltd.	45	45	25,000	25,000	4,509,324	7,190,668	11,250,000	11,250,000
Forth Tracking System Co., Ltd.	34	34	10,000	10,000	-	2,298,340	3,400,000	3,400,000
					4,509,324	9,489,008	14,650,000	14,650,000
Less : Allowance for diminution in value of investments in associated companies					-	-	(10,140,676)	(5,160,992)
Total investments in associated companies - net					4,509,324	9,489,008	4,509,324	9,489,008
Total					4,509,324	9,489,008	77,851,424	70,881,108

On 1 March 2006 and 24 March 2006, the extraordinary meeting of shareholders of a subsidiary resolved to increase its company's share capital from Baht 6,000,000 (60,000 ordinary shares of Baht 100 each) to Baht 10,000,000 (100,000 ordinary shares of Baht 100 each). The subsidiary registered the increase in its share capital with the Ministry of Commerce on 31 March 2006.

During the year, the Company and its subsidiary paid additional capital in the Joint Venture Genius, a total of Baht 38.5 million. (The Company only : Baht 8.0 million).

11. PROPERTY, PLANT AND EQUIPMENT

(Unit : Baht)

	Consolidated								
	Land	Building	Machinery	Tools and equipment	Office equipment	Motor vehicles	Building under construction	Prototype in progress	Total
Cost									
31 December 2005	163,673,500	187,708,745	418,181,740	42,808,278	57,977,576	44,967,505	2,363,490	27,370,527	945,051,361
Additions	-	28,100	71,070,478	20,365,024	17,716,263	12,691,214	2,735,025	-	124,606,104
Disposals	-	-	(9,781,268)	(1,233,520)	(1,395,971)	-	-	-	(12,410,759)
Transferred in/(Transferred out)	-	3,041,648	(1,040,109)	13,403,553	1,040,109	-	(3,041,648)	(20,037,865)	(6,634,312)
31 December 2006	163,673,500	190,778,493	478,430,841	75,343,335	75,337,977	57,658,719	2,056,867	7,332,662	1,050,612,394
Accumulated depreciation									
31 December 2005	-	30,538,952	300,044,957	31,624,411	39,618,457	23,413,758	-	-	425,240,535
Depreciation for the year	-	10,733,734	50,397,446	8,470,707	8,464,972	7,163,710	-	-	85,230,569
Depreciation on disposals	-	-	(9,202,303)	(1,021,589)	(1,240,431)	-	-	-	(11,464,323)
Transferred in/(Transferred out)	-	-	(1,040,108)	-	1,040,108	-	-	-	-
31 December 2006	-	41,272,686	340,199,992	39,073,529	47,883,106	30,577,468	-	-	499,006,781
Net book value									
31 December 2005	163,673,500	157,169,793	118,136,783	11,183,867	18,359,119	21,553,747	2,363,490	27,370,527	519,810,826
31 December 2006	163,673,500	149,505,807	138,230,849	36,269,806	27,454,871	27,081,251	2,056,867	7,332,662	551,605,613
Depreciation charges for the years as included in the income statements									
2005									77,454,101
2006									85,230,569

(Unit : Baht)

	The Company Only							
	Land	Building	Machinery	Tools and equipment	Office equipment	Motor vehicles	Building under construction	Total
Cost								
31 December 2005	163,673,500	185,440,060	400,417,312	42,701,976	39,082,372	28,572,017	-	859,887,237
Additions	-	28,100	69,421,168	11,985,095	14,321,474	11,173,902	2,179,893	109,109,632
Disposals	-	-	(9,781,268)	(1,233,520)	(1,249,971)	-	-	(12,264,759)
Transferred in/(Transferred out)	-	1,241,393	(1,040,109)	-	1,040,109	-	(1,241,393)	-
31 December 2006	163,673,500	186,709,553	459,017,103	53,453,551	53,193,984	39,745,919	938,500	956,732,110
Accumulated depreciation								
31 December 2005	-	30,459,890	296,017,201	30,480,945	27,989,396	15,421,827	-	400,369,259
Depreciation for the year	-	10,097,506	46,563,052	5,616,075	5,074,208	4,653,696	-	72,004,537
Depreciation on disposals	-	-	(9,202,303)	(1,021,589)	(1,216,671)	-	-	(11,440,563)
Transferred in / (Transferred out)	-	-	(1,040,108)	-	1,040,108	-	-	-
31 December 2006	-	40,557,396	332,337,842	35,075,431	32,887,041	20,075,523	-	460,933,233
Net book value								
31 December 2005	163,673,500	154,980,170	104,400,111	12,221,031	11,092,976	13,150,190	-	459,517,978
31 December 2006	163,673,500	146,152,157	126,679,261	18,378,120	20,306,943	19,670,396	938,500	495,798,877
Depreciation charges for the years as included in the income statements								
2005								68,544,945
2006								72,004,537

As at 31 December 2006, certain plant and equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 262 million (The Company only: Baht 248 million).

The Company and its subsidiaries has mortgaged its land with structures thereon with a total net book value as at 31 December 2006, of Baht 305 million as collateral for short-term and long-term credit facilities granted by commercial banks.

12. RIGHT TO DERIVE BENEFIT FROM THE TRAFFIC BOARDS

	Consolidated	
	2006	2005
Balance - beginning of year	207,897,691	-
Additions	26,967,022	207,897,691
Amortisations	(20,206,924)	-
Balance - end of year	<u>214,657,789</u>	<u>207,897,691</u>
Amortisation expenses included in the income statements for the year	<u>20,206,924</u>	<u>-</u>

Joint Venture Genius has entered into an agreement with the Bangkok Metropolitan Authority (BMA), granting it the right to install smart traffic boards, whereby the joint venture is responsible for the provision and installation of the smart traffic boards and for their maintenance for the periods of the agreement, and is to transfer ownership of the relevant assets and equipment to the BMA. The joint venture has already transferred ownership of the relevant assets which are the smart traffic boards to the BMA in November 2006. The joint venture is also granted the right to derive benefit from the traffic boards for a period of 3 years, during which time the joint venture is to pay remuneration of approximately Baht 5 million per annum to the BMA. The agreement also stipulates that if the joint venture is able to comply with all terms and conditions of the agreement, the BMA will consider granting the joint venture options to extend the agreement twice, for periods of 3 years each time, and that increases in the annual remuneration will be decided based on the terms stipulated in the agreement.

The joint venture also entered into an agreement granting a contractor the right to place advertisements on the smart traffic boards for a period of 3 years, with options to extend twice, for periods of 3 years each time. The joint venture will receive annual compensation from the contractor as stipulated in the agreement. However, either party may request cancellation of the agreement by submitting notice in accordance with the procedures stipulated under the agreement.

13. BANK OVERDRAFTS AND SHORT TERM LOANS FROM FINANCIAL INSTITUTIONS

(Unit : Baht)

	Interest rate (percent per annum)	Consolidated		The Company Only	
		2006	2005	2006	2005
Bank overdrafts	MOR, Spread+1.25%	20,348,787	49,673,504	12,505,916	58,249
Short-term loans from financial institutions	MLR-1, 2%	620,381,000	612,000,000	455,381,000	447,000,000
Trust receipt	MLR-2%	-	56,246,400	-	56,246,400
Total		<u>640,729,787</u>	<u>717,919,904</u>	<u>467,886,916</u>	<u>503,304,649</u>

The Company and its subsidiaries have entered into agreements with Thai commercial banks under which they have been provided with overdraft and revolving short-term loans facilities. These credit facilities are secured by the mortgage of land and construction thereon with a net book value amounting to Baht 222 million, are guaranteed by the Company's directors and bank deposit amounting to Baht 72 million and the transfer of collection rights for project work amounting to Baht 263 million.

14. LONG-TERM LOANS

	(Unit : Baht)			
	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Long-term loans	50,985,625	57,682,888	50,985,625	57,682,888
Less : current portion of long-term loans	(6,792,000)	(6,792,000)	(6,792,000)	(6,792,000)
Long-term loans – net	<u>44,193,625</u>	<u>50,890,888</u>	<u>44,193,625</u>	<u>50,890,888</u>

The Company entered into loan agreement with a local bank to obtain a loan facility of Baht 61 million for use to acquire assets. Interest is charged on the loans at rate ranging from 4.5 percent to MLR per annum and the loan are to be repaid in monthly installments over a period of 108 months. These credit facilities are secured by the mortgage of land and construction thereon with the net book values amounting to Baht 83 million.

15. SHARE CAPITAL

On 27 May 2005, Meeting No. 4/2548 of the extraordinary meeting of shareholders of the Company passed a resolution to change the par value of the Company's ordinary shares from Baht 100 per share to Baht 1 per share, such that the Company's registered share capital will consist of 386.1 million ordinary shares of Baht 1 each, the Company's registered share capital then be increased by Baht 96.6 million (96.6 million ordinary shares of Baht 1 each) to a total of Baht 482.7 million (482.7 million ordinary shares of Baht 1 each). The Company registered the changes of par value of the Company's ordinary shares and increase in its share capital with the Ministry of Commerce on 8 July 2005.

On 10 January 2006, Meeting No. 1/2549 of the extraordinary meeting of shareholders of the Company passed a resolution to reduce the share capital by Baht 96.6 million, from Baht 482.7 million (482.7 million ordinary shares of Baht 1 each) to Baht 386.1 million (386.1 million ordinary shares of Baht 1 each), and to then increase the Company's registered share capital by Baht 128.9 million (128.9 million ordinary shares of Baht 1 each), to a total of Baht 515 million (515 million ordinary shares of Baht 1 each), by means of a public offering. The offer price and other conditions related to this increase in share capital are to be decided upon by the Board of Directors of the Company in due course. The Company registered the increase in its registered share capital with the Ministry of Commerce on 21 February 2006.

On 11 August 2006, the Securities and Exchange Commission approved the Company's issuance of

ordinary shares through an initial public offering. On 28 – 30 August 2006, the Company issued 93.9 million shares at a price of Baht 5 per share through an initial public offering. The Company received cash proceeds from the issuance of ordinary shares amounting to Baht 469.5 million and had related direct expense amounting to Baht 13 million. The Company registered the resulting paid-up share capital increase with the Ministry of Commerce on 5 September 2006.

16. STATUTORY RESERVE

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

17. EMPLOYEES AND RELATED COSTS

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Number of employees at end of year (persons)	1,264	1,184	1,011	954
Employee costs for the year (Million Baht)	257.8	202.4	179.2	146.4

18. CORPORATE INCOME TAX

Corporate income tax of the Company and its subsidiaries were calculated on income for the operation without BOI promotional privileges after adding back certain expenses which are disallowable for tax computation purposes.

19. PROMOTIONAL PRIVILEGES

The Company has received various tax privileges under the Investment Promotion Act B.E. 2520 from the Board of Investment (BOI) pursuant to the investment promotion certificate No. 20470(4)/2549 and 3010/Wor/2545. Subject to certain imposed conditions, the privileges include an income tax exemption on net profit derived from the promoted operations for a period of 8 years and include an exemption for import duty fee of the raw materials for production.

A subsidiary has received various tax privileges under the Investment Promotion Act B.E. 2520 from the Board of Investment (BOI) pursuant to the investment promotion certificate No. 1150(4)/2548 and 1151(4)/2548. Subject to certain imposed conditions, the privileges include an income tax exemption on net profit derived from the promoted operation for a period of 8 years.

(Unit : Baht)

	Consolidated					
	Promoted operations		Non-promoted operations		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
REVENUES						
Sales	78,692,488	9,043,631	1,710,537,412	1,424,654,633	1,789,229,906	1,433,698,264
Services	-	-	381,181,190	179,238,045	381,181,190	179,238,045
Revenues from project construction	48,606,836	-	222,041,955	52,466,571	270,648,791	52,466,571
Other income	-	(78,281)	39,549,283	13,465,206	39,549,283	13,386,925
TOTAL REVENUES	<u>127,299,324</u>	<u>8,965,350</u>	<u>2,353,309,840</u>	<u>1,669,824,455</u>	<u>2,480,609,164</u>	<u>1,678,789,805</u>

(Unit : Baht)

	The Company Only					
	Promoted operations		Non-promoted operations		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
REVENUES						
Sales	68,392,180	-	1,163,027,219	1,023,310,247	1,231,419,399	1,023,310,247
Services	-	-	264,855,800	180,065,623	264,855,800	180,065,623
Revenues from project construction	-	-	105,537,675	-	105,537,675	-
Other income	-	-	38,972,730	17,343,056	38,972,730	17,343,056
TOTAL REVENUES	<u>68,392,180</u>	<u>-</u>	<u>1,572,393,424</u>	<u>1,220,718,926</u>	<u>1,640,785,604</u>	<u>1,220,718,926</u>

20. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income for the year by the weighted average number of ordinary shares in issue during the year.

21. FINANCIAL INFORMATION BY SEGMENT

The Company and its subsidiaries' business operations involve four principal segments: Production and sales, Turn key production, Assembly services and Project construction. These operations are mainly carried on in Thailand. Below is the consolidated financial information for the years ended 31 December 2006 and 2005 of the Company and its subsidiaries by segment.

(Unit : Million Baht)

	Consolidated											
	For the years ended 31 December											
	Production and sale		Turn key production		Assembly services		Project construction		Eliminated		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues from external customers	1,186.0	893.8	603.3	540.0	381.2	179.1	270.6	52.5	-	-	2,441.1	1,665.4
Intersegment revenues	86.4	113.9	113.2	157.7	4.1	2.3	4.2	322.9	(207.9)	(596.8)	-	-
Total revenues	<u>1,272.4</u>	<u>1,007.7</u>	<u>716.5</u>	<u>697.7</u>	<u>385.3</u>	<u>181.4</u>	<u>274.8</u>	<u>375.4</u>	<u>(207.9)</u>	<u>(596.8)</u>	<u>2,441.1</u>	<u>1,665.4</u>

	Consolidated											
	For the years ended 31 December											
	Production and sale		Turn key production		Assembly services		Project construction		Eliminated		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Segment income	329.3	239.6	64.6	78.7	214.9	59.3	52.2	10.4	-	-	661.0	388.0
Unallocated income and expenses:												
Other income											39.4	13.4
Selling and administrative expenses											(340.7)	(277.8)
Share of loss from investment in associated companies											(5.0)	(3.5)
Other expenses											(5.5)	(28.2)
Interest expenses											(45.6)	(17.4)
Corporate income tax											(90.1)	(42.8)
Net income											213.5	31.7
Other information :-												
Property, plant and equipment											552	520
Unallocated assets											1,688	1,280
Total assets											2,240	1,800

Transfer prices between business segments are as set out in Note 6 to financial statement.

22. PROVIDENT FUND

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contributed to the fund monthly at the rate of 3 percent of basic salary. The fund, which is managed by TMB Bank Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2006, the Company contributed Baht 1.65 million (2005: Baht 1.32 million) to the fund.

23. DIVIDEND

At the 2006 Annual General Meeting of the Shareholders held on 27 April 2006, it was resolved that the Company pay a dividend of Baht 0.08 per share to the Company's shareholders from the retained earnings, a total of Baht 30.9 million, the Company paid the dividend in May 2006.

24. COMMITMENTS AND CONTINGENT LIABILITIES

24.1 Operating lease and related service commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of office building space and factory.

Future minimum rentals and service fee payable under these leases as at 31 December 2006 are as follows:

	Million Baht
Payable within :	
1 year	6.1
2 to 5 years	10.8
Thereafter	3.9

24.2 Guarantees

- (a) The Company has guaranteed bank credit facilities of its subsidiaries amounting to Baht 135 million.
- (b) As at 31 December 2006, there were outstanding bank guarantees amounting to approximately Baht 189.7 million issued by banks on behalf of the Company and its subsidiaries (2005 : Baht 78.1 million) and for the Company only was Baht 167.6 million (2005: Baht 58.7 million) in respect of certain performance bonds as required in the normal course of business of the Company and its subsidiaries.

25. FINANCIAL INSTRUMENTS

25.1 Financial risk management and policies

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentation", principally comprise cash and cash equivalents, trade accounts receivable, loans, investments, and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable, loans, notes and other receivable. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentrations of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts receivable, loans, other receivables and notes receivable as stated in the balance sheet.

Interest rate risk

The Company and its subsidiaries is exposed to interest rate risk relates primarily to its cash at banks, bank overdrafts, short-term loans and long-term borrowings. However, since most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal. (The details of interest rates of bank overdrafts and loans are set out in the Note 13 and 14 to the financial statements)

Foreign currency risk

The Company and its subsidiaries is exposed to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company and its subsidiaries seek to reduce this risk by entering into forward exchange contracts when it considers appropriate.

Generally, the forward contracts mature within one year.

The balances of financial liabilities denominated in foreign currencies as at 31 December 2006 are summarised below.

Foreign currency	Financial liabilities	Average exchange rate as at 31 December 2006
	(Million)	(Baht per 1 foreign currency unit)
US dollar	2.1	36.23
Hong Kong dollar	0.3	4.67
Japanese yen	47.2	0.31

Forward exchange contracts outstanding at 31 December 2006 are summarized below.

Foreign currency	Bought amount	Contractual exchange rate Bought
	(Million)	(Baht per 1 foreign currency unit)
US dollar	0.85	36.42 - 36.89
Hong Kong dollar	0.60	4.70 - 4.75
Japanese yen	7.94	0.33

25.2 Fair values of financial instruments

Since the majority of the Company and its subsidiaries' financial instruments are short-term in nature and the loans bear interest approximately to the current market rate of the loans with similar terms and conditions, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

26. SUBSEQUENT EVENTS

On 26 February 2007, the meeting of the Board of Directors proposed for consideration of the Annual General Meeting of the Shareholders to be held in March 2007, payment of annual dividend to the shareholders in respect of the 2006 earnings of Baht 0.20 per share, or a total of Baht 96.0 million.

Such dividend will be paid and recorded after being approved by the Annual General Meeting of the Company's shareholders.

27. PRESENTATION

Certain amounts in the consolidated financial statements for the year ended 31 December 2005 have been reclassified to conform to the current year's classifications, with no effect on previously reported net income or shareholders' equity.

28. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's authorised director on 26 February 2007.

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FORTH CORPORATION PUBLIC COMPANY LIMITED

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