

FORTH CORPORATION PUBLIC COMPANY LIMITED

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Financial Statements

| Consolidated | 2007 | Change | 2006 | Change | 2005 |
|--|----------------|---------|----------------|---------|----------------|
| | (Million Baht) | (%) | (Million Baht) | (%) | (Million Baht) |
| Property, Plant and Equipment-net | 607 | 9.96 | 552 | 6.15 | 520 |
| Total Assets | 3,694 | 64.91 | 2,240 | 24.44 | 1,800 |
| Total Liabilities | 2,502 | 125.41 | 1,110 | (15.26) | 1,310 |
| Shareholders' Equities | 1,193 | 5.67 | 1,129 | 130.40 | 490 |
| Revenues Sale | 3,188 | 78.20 | 1,789 | 24.75 | 1,434 |
| Revenues Services | 304 | (20.21) | 381 | 112.84 | 179 |
| Revenues from project construction | 421 | 55.35 | 271 | 421.15 | 52 |
| Total Revenues | 3,941 | 58.85 | 2,481 | 47.76 | 1,679 |
| Gross Profit | 680 | 2.87 | 661 | 33.33 | 388 |
| Net Profit | 212 | (0.47) | 213 | 565.62 | 32 |
| Earnings Per Share (Baht) | 0.44 | (99.56) | 0.51 | 82.14 | 0.28 |
| Debt to Equity Ratio (Times) | 2.10 | | 0.98 | | 2.67 |
| Net Profit to Shareholders' Equity (%) | 17.77 | | 18.87 | | 6.53 |
| Net Profit Margin (%) | 5.38 | | 8.58 | | 1.91 |
| Book Value Per Share (Baht) | 2.48 | | 2.35 | | 1.27 |

| The Company only | 2007 | Change | 2006 | Change | 2005 |
|--|----------------|---------|----------------|---------|----------------|
| | (Million Baht) | (%) | (Million Baht) | (%) | (Million Baht) |
| Property, Plant and Equipment-net | 560 | 12.90 | 496 | 7.82 | 460 |
| Total Assets | 3,170 | 76.41 | 1,797 | 28.17 | 1,402 |
| Total Liabilities | 2,240 | 169.23 | 832 | (14.92) | 978 |
| Shareholders' Equities | 931 | (3.62) | 966 | 127.83 | 424 |
| Revenues Sale | 2,503 | 103.33 | 1,231 | 20.33 | 1,023 |
| Revenues Services | 267 | 0.75 | 265 | 47.22 | 180 |
| Revenues from project construction | 144 | 35.85 | 106 | 106 | - |
| Total Revenues | 2,977 | 81.41 | 1,641 | 34.39 | 1,221 |
| Gross Profit | 327 | (11.86) | 371 | 55.88 | 238 |
| Net Profit | 114 | (1.72) | 116 | 792.30 | 13 |
| Earnings Per Share (Baht) | 0.24 | (99.76) | 0.28 | 833.33 | 0.03 |
| Debt to Equity Ratio (Times) | 2.41 | | 0.86 | | 2.31 |
| Net Profit to Shareholders' Equity (%) | 12.24 | | 12.01 | | 3.07 |
| Net Profit Margin (%) | 3.83 | | 7.07 | | 1.06 |
| Book Value Per Share (Baht) | 1.93 | | 2.01 | | 1.10 |

Chart of Consolidated Financial Statements

Net Profit

(Million Baht)



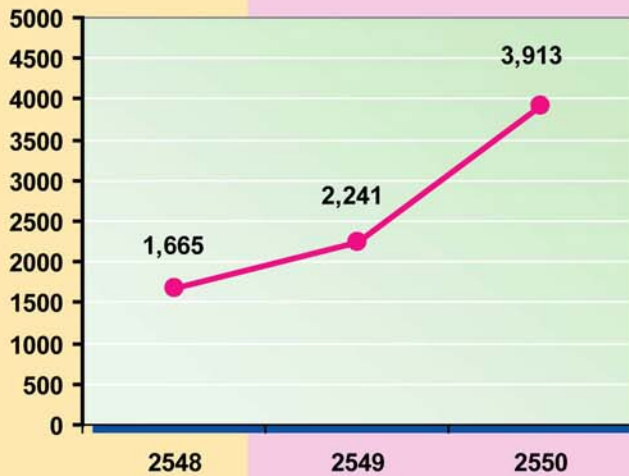
Gross Profit

(Million Baht)



Sales and Service Income

(Million Baht)



Total Assets

(Million Baht)





Forth Corporation Public Company Limited has set its aim on being the leader of technology and communication in Thailand by heavily investing more than 100 million Baht for supporting the studies and researches and development on the production technology to acquire the modern products of quality that can satisfy the need of the customer both in governmental and private organizations. At present it is apparently that the technology growth on the IP Networks has played a big role and expanded tremendously, thus the Research and Development team of FORTH has tried their best to develop new products that can support the IP Network to respond to the present need namely:

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 40 Access Nodes and still expand the installing to cover more and more area nationwide. In 2008 the company had signed the MSAN contract of 167,500 Ports with the TOT amounts 850 million Baht.

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 2007, and expected to be more than 200,000 ports nationwide in 2008.

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. The R&D Team of FORTH has researched and developed the ATA to support the connection with the new Network for the land line telephone system, the public telephones and the Hi speed internet



Non stop Development

or connect with the satellite system to provide telephone service in the remote areas where there are no telephone lines. Thus, the ATA currently responds well to the very extensive need of high speed internet users.

IP-Phone is a telephone system compatible with IPX booths or compatible with general IP-PBX that uses the standard Sip Protocol. The IP Phone that Forth has developed, in fact, has technology superior to those of international competitors. For examples, Forth's phone has 4.3" color screens with 480x272 pixel resolution plus touch screen. It also supports many new applications that combine the function of a phone with that of a computer, all in one machine. Additionally, Forth's phone is currently considered the first and only IP Phone in the world that can display Thai font.

IPX is a new IP-PBX product Forth has developed to replace the previous telephone booths by adopting technology that uses the VoIP system. This is the first technology in Thailand to use the internet whereby IPX booths are designed to work with modern tools such as IP Phones as well as GSM with WiFi Phone. This can be considered an improvement to the telecommunication system designed by Thais, bringing it up to that of international standards.

Switching Power Supply is a direct current distributor of electric power to satellite televisions and high speed internet. It is also employed in the telecommunication system with MSAN telephone.

Traffic products include Traffic lights; Traffic light control system; LED traffic lamps; Traffic countdown display; Management system with ATC and independent; Remote traffic signal control; Various LED warning displays such as for intersections, turns, high risk areas and many other products that display pictures such as large full color LED displays; Variable Message Sign; LED Automobile's backlights accessory; and, LED Smart Sign installed in Bangkok to provide traffic reports in over 40 locations.

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.

FORTH "Non-stop Development" we will continue to grow in this business and 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.

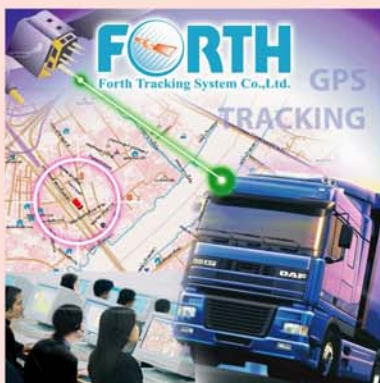




Manufacturing and selling electronic sign by Genius Traffic System Company Limited of which products are the Full Color LED Screens and we are the first deloper and producer in Thailand. This product uses to present moving picture, moving sign board and variable message sign. All LED products can be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



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.



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.



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, Schaffner, 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.





1. Mr. Sanit Vorapanya
2. Mr. Sutham Malila
3. Ms. Nongram Laohaareedilok
4. PongChai Amatanon
5. Ms. Matinee Wandeepirom
6. Ms. Rangsee Lerttripinyo
7. Mr. Kaelic Amatanon
8. Mr. Boonya Tantipanichpan
9. Ms. Chonticha Siripongpreeda



Since registering in the Stock Exchange of Thailand in September 2006, the Forth Corporation Public Company Limited had sold its shares to the public at the amount of just only 2,440.90 million Baht on the account closed date. However, one year later on the account closed date of 2007, the share selling amounts had reached up to 3,914 million Baht which is 1.60 times of the increase. In 2008 the board of Director is anticipating the increase of share selling up to 7,140 million Baht. The leaping growth can be viewed as the graceful success beyond our expectations in this non-prosperous economic situation apparently.

The operation of the company has been carried out following the principles of the risk dispersion and strict transparent and inspectable performance. The effective operation has been resulted by the regular performance improvement, the capital decreasing directly and indirectly as well as the human resource development to support the production growth along with the Research and Development to catch up with the technology changes which is the essential role of the ICT and electronics industry. Although the company has been confronting many obstacles, the executives of all levels of the company have undergone through them pretty well.

The Board of Directors and all the executives have shared the same dual principle of strictly transparent operating with the universal Good Government. Besides, we aims that one day the company will be strong and secure and able to be the leader in the ICT and electronics world which can provide many products to substitute the imported ones as well as export its products to compete in the worldwide market gracefully and widely accepted. Moreover the base expanding abroad will enhance the advantage in the aspects of marketing and production investment in medium and long term.

On this opportunity once again, on behalf of the Board of Director and the Audit Committee, I confirm of my intended commitment initially given that I will push forward the operation of the company to the prosperity and security along with the close and continuous supervision. I would like to thank the shareholders as well as all the benefactors who have been well supporting the company thoroughly. We are sure that without your supports, the company will certainly never be able to achieve this high success.



(Mr. Sanit Vorapanya)

President

Message from the Managing Director

In 2007 Forth Corporation Public Company Limited had better operation resulting in the high selling amount up to 3,913 million Baht. However it still has not reached the goal because of the restless political situation which mainly halted the governmental projects especially the halting of the investment of the TOT Public Company LTD. It was estimated that the company would reach the revenue of 800 million Baht but we apparently gained only 187 million Baht. Nevertheless at the end of 2007, the company had signed the MSAN contract of 167,500 Ports with the TOT and we had expected to reach the revenue since the second

quarter of 2008 till the project completion in the fourth quarter of 2008. For the Western Digital project (WD), we had started the maximum productivity in September which was behind the schedule; however, now we are satisfied with the regular and continuous productivity.

Apart from that in 2007 the company had conducted some researches on many new products e.g. the IP Phone, IP-PBX, ATA, MSAN all of which Forth Corporation PCL is the only company in Thailand that is capable of researching and producing especially the MSAN being under installation of 167,500 ports. Besides, the company has sold 13,500 ATA (Analog Telephone Adapter) at the amount of 60 million Baht to the TOT early in 2008 through the distributors. Meanwhile the TOT is going to purchase the IP-Phone for the Government Center on Chaeng Wattana Road. The company has also rapidly developed the Automatic Traffic Control which will be ready to install all over Bangkok and provinces soon. We anticipate that there will be more demand on these new products in this year and the next 2-3 years.

The strategy of the company remains the same as before; we concentrate on the complete circuit group managing ranging from the research and development, resource providing,, production factory and marketing. All the products of the company will be responding to the need of the customers with high value and advance technology. The company has hold on the risk dispersion of the revenue so that the enterprise would not rely on just only one business or rely only on the governmental bid projects.

On this occasion the Board of Director and I would like to thank all who have been continuously well supporting the operation of the company



A handwritten signature in blue ink, appearing to read 'Pongchai Amatanon'.

(Mr. Pongchai Amatanon)
Managing Director



Mr. Sanit Vorapanya

Position currently held:

- President, Chairman of the Audit Committee Forth Corporation Public Company Limited
- Chairman of the Audit Committee Thai Summit Harness Co.,Ltd.
- President The Agricultural Futures Exchange of Thailand
- Deputy Managing Director Pan International (Thailand) Co.,Ltd.

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

Mr. Sutham Malila

Position currently held:

- Audit Committee of 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.

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



Ms. Nongram Laohaareedilok

Position currently held:

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

Education:

- BA. of Business Administration, Ramkhamhaeng University

Training:

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


Pongchai Amatanon
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.

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

Ms. Rangsee Lerttripinyo
Position currently held:

- Deputy Managing Director
Forth Corporation Public Company Limited

Education:

BA. of Business Administration Ramkamhaeng University

Training:

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


Mr. Kaelic Amatanon
Position currently held:

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

Education:

Cert. on Vocational Study Chetupon College

Training:

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





Ms. Matinee Wandeepirom

Position currently held:

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

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

Mr. Boonya Tantipanichpan

Position currently held:

- Director Forth Corporation Public Company Limited
- Managing Director Genius Traffic System Co.,Ltd.
- Director of R.Lab Soft Solution Co.,Ltd.
- Director of R.Lab and Consultance Co.,Ltd.

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



Ms. Chonticha Siripongpreeda

Position currently held:

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

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



Pongchai Amatanon

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.

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



Ms. Rangsee Lerttripinyo

Position currently held:

- Deputy Managing Director
Forth Corporation Public Company Limited

Education:

BA. of Business Administration Ramkhamhaeng University

Training:

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



Mr. Sawat Aerbchokchai

Position currently held:

- Vice President of Research & Development

Education:

Bachelor of Engineering King Mongkut's Institute of Technology Ladkrabang

Training:

- Network & Netware 3.11 Program
- ISDN, X25, TCP/IP Program
- Circuit Design Technology by FPGA, NECTEC
- RFID Program , NECTEC



Mr. Amorn Ungsakulpreecha

Position currently held:

- Vice President of Accounting and Finance

Education:

- Master of Accountancy Major Financial Accounting



Mr. Pramote Phuntina

Position currently held:

- Vice President of Production Forth Corporation Public Company Limited

Education:

- Diploma in Electronics Industries,

Training:

- Work study and work measurement.
- Productivity Improvement and control,
- Jig/Fixture design and Maintenance,
- Lean production
- Business strategy
- ISO-9001, ISO-14001, TS 16949, 5S
- Safety for management,
- Success through Innovation and Marketing Innovation strategies



Mrs. Suchada Thuansomboon

Position currently held:

- (Acting) Vice President of Office Administration

Education:

- Bachelor of Accounting, Ramkhamhaeng University

Training:

- Tax Law of Revenue Code
- Costing Management
- Financial Statement Disclosure
- Warehouse Management
- Mini Master of Management, Nida
- Logistics & Supply Chain Managements

On 21-22 September 2007, Forth Corporation Limited held a seminar to launch a new product and provide workshops to national distributors, showcasing VoIP group of products consisting of IPX-series phone booths, IP Phone with color

display, and ATA equipments for handling telephone signals via the internet. These products enable the customers to efficiently use the telephone system while lowering consumers' phone bills. Emphasis was on the large color touch screen IP Phone using the VoIP system with the ability to display Thai font, color pictures and detailed

information stored on the opposite party. Forth's IP Phone is thus a cost efficient, convenient and expedient solution for businesses that require advanced communication systems.



Company Visit Factory 2007

Forth Corporation Public Company Limited organized a factory tour for its investors to visit the company's factory in Phuttamonthon 5, Nakornprathom province on 18 October 2007. The purpose was to build confidence in the company's hi-technology production line that employed modern equipment and high quality workforce.



FORTH GO INTER

Forth Corporation Public Company Limited went on a road show to display its products at CEBIT 2008 - a convention showcasing modern technology - in Hanover, Germany on 4-9th of March 2008. At this event, Forth presented its IPX-series, IP Phone, and GSM routers that were researched and designed by Thai engineers. Forth IP-Phone particularly attracted a high level of interest



from the attendees after a television reporter tested the product by holding a live interview via Forth IPX broadcasted back to Thailand. This demonstrated the research quality and production capability of Thai products as well as its ability to expand into the European market.



Report from Audit Committee

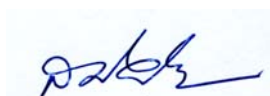
The Audit Committee was nominated by the Company Committee. It is comprised of 3 independent Directors namely: Mr. Sanit Vorapanya as the Chairman, Mr. Sutham Malila and Ms. Nongram Laohaareedilok as Committees. Neither of them holds a non-executive Director position or are owners of the Company.

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 2007, the Audit Committee held 4 meetings which are summarized as follows:

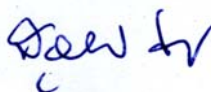
1. To review and approve the quarterly and annual financial statements which are audited by the Certified Public Accountant to ensure accuracy, adequacy according to the general accounting principles and enough disclosure before proposing to the Board of Directors for approval.
2. To consider and review 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 2008 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

| | Consolidated | | |
|------------------------------------|--------------|----------|----------|
| | 2005 | 2006 | 2007 |
| Total Assets | 1,799.92 | 2,239.56 | 3,694.35 |
| Total Liabilities | 1,309.54 | 1,110.13 | 2,501.80 |
| Shareholders' Equities | 490.38 | 1,129.44 | 1,192.55 |
| Revenues Sale | 1,433.70 | 1,789.23 | 3,188.01 |
| Revenues Services | 179.24 | 381.18 | 304.13 |
| Revenues From project construction | 52.47 | 270.65 | 421.21 |
| Total Revenues | 1,678.79 | 2,480.61 | 3,940.97 |
| Net Profit | 31.68 | 213.48 | 211.91 |

Financial Ratio

| | Consolidated | | |
|-----------------------------|--------------|-------|-------|
| | 2005 | 2006 | 2007 |
| Current ratio (Time) | 0.80 | 1.30 | 2.10 |
| Quick ratio (Time) | 0.33 | 0.51 | 0.85 |
| Net profit margin (%) | 1.89 | 8.61 | 5.38 |
| Return from equity (%) | 5.91 | 26.36 | 18.25 |
| Return on assets (%) | 2.19 | 10.57 | 7.14 |
| Debt to Equity Ratio (Time) | 2.67 | 0.98 | 2.10 |
| Dividend Yield (%) | - | 97.49 | 69.70 |
| Earning per share (Baht) | 0.08 | 0.51 | 0.44 |
| Book value per share (Baht) | 1.02 | 2.35 | 2.48 |

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, Samsennai, 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 Euhanankul 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 :

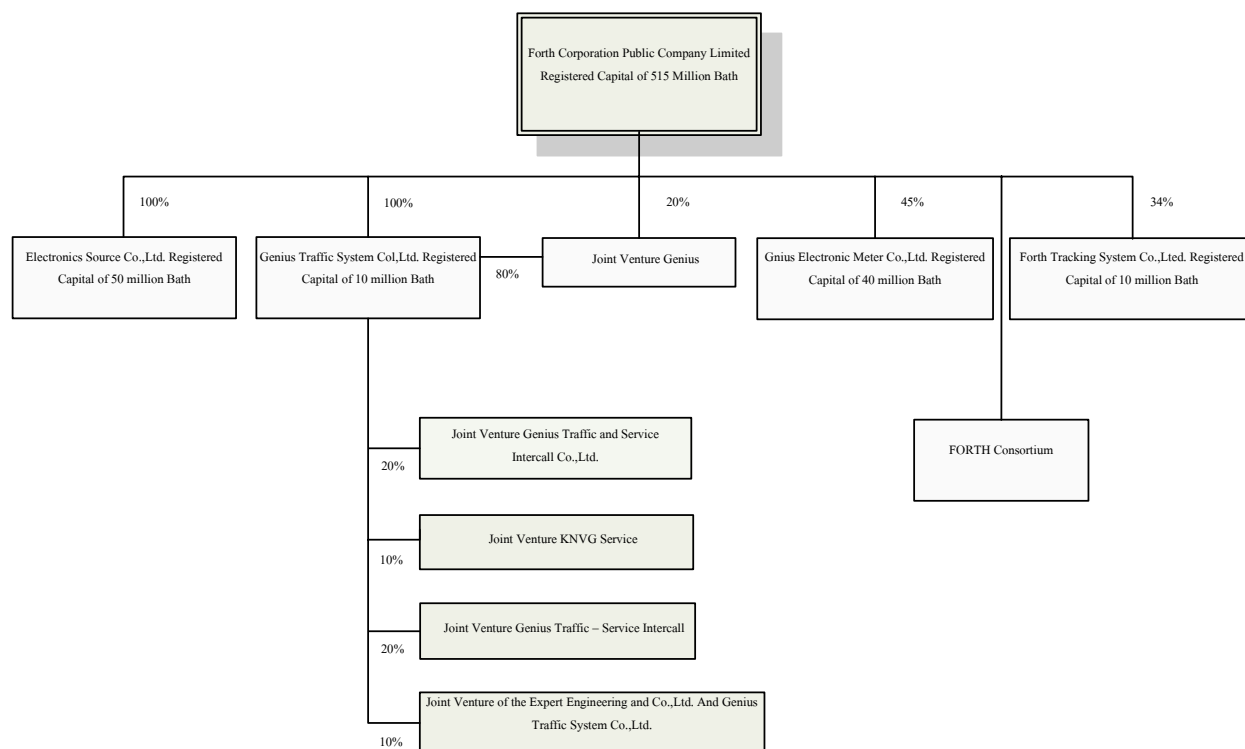
- 1) Joint Venture Genius Traffic and Serviceintercall Company Limited corporates for installing and maintaining the traffic light in the municipal area of Trang Province.
- 2) Joint Venture KNVG Service will work on the turnkey project to install and give maintenance for the SCATS traffic system for 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.
- 4) Joint Venture of the Expert Engineering and Communication Limited Company and the Genius Traffic System Company Limited for distributing and giving maintenance to the electric information boards in Had-Yai.

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 (CCS) and Billing Development. In 2003, the Company had joined the FORTH Consortium Project to provide the service mentioned above for the Electricity Authority of Bangkok Metropolitan.

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 on researching, studying, manufacturing, distributing and turnkey installing traffic control system including and related equipment including electronic display Board for indoor and outdoor. The major traffic products are traffic lamps and traffic controller, intelligent light signal system for road crossing including the traffic control system by computer.

The electronic display Boards are of both the Full color sign boards and various format of the Variable Message Signs (VMS) to cover all type of utility. The products of the GTS has been certified by the Thai Industrial Standard Institute and the production researches of the GTS has also got privilege from the

Board of Investment (BOI) on the Prototype Design Program, thus the GTS is the only company to completely design and manufacture the products.

Considering the past operation result, GTS had succeeded in installing traffic control equipments and traffic light system both in Bangkok and provinces e.g. the CCTV for detecting the traffic problems and the safety for the Bangkok Metropolitan and the traffic light controller by the computer which can calculate the time for switching the traffic light in according to the load of traffic and the nearby junctions. The GTS has been trusted by Nonthaburi province, Had-Yai municipal and Hua Hin municipal in installing and utilizing and it has gained satisfactory response. This enables GTS to win many bids from the governmental workplaces which GTS plans to install the system mentioned above within this year and expand more in the next few years by the extended budget. This enables GTS to have a chance to continue expanding its market on these products. The GTS has share the market of the electronic sign boards both in the private and governmental sections by manufacturing and distributing 50 Full Color LED Screens to the Hello Bangkok Limited with a tendency to increase more sales in this year. Moreover, GTS has been trusted by many work places of many new projects to install the Variable Message Signs e.g. the Expressway Authority of Thailand on the Bangplee Suksawad way, Raminthra Aadjnarong, the Department of Highway in the Motorway project including manufacturing and distributing intelligent electric Sign Boards for the Genius Joint Venture to install on 40 locations for the Bangkok Metropolitan.

At present the GTS has also researched and developed more variety of products to cover the need of the previous market and to respond more to the need of the related market e.g.

The system to increase more effective control at intersection and road junction by installing equipment to detect the traffic load of each way and calculate the time for the traffic light switching in accordance with it in Real-Time.

The system to increase more effective maintenance of traffic lights by adding more equipment to check the traffic light control system so that they can send warning signal to the system supervisor and the control center when the equipment is out of order so that the person responsible for them will be well informed and can solve the problem right away.

The traffic sign board to warn drivers on many locations by the LED technology which is the continued policy to save energy.

Lighting equipment on roads, factories, stadium and sport play ground etc. are mostly of old fashioned which are high power consumed with only 1 year lasting. Thus GTS has developed new lighting equipment that uses the LED technology to last up to 10 years of utilizing which enhances a lot of decrease of maintenance cost. Apart from decreasing cost on the maintenance, it also increases more convenience and safety for the drivers due to the traffic problems while they are under maintenance.

Electronic Ballast equipment for high voltage lighting e.g. 250 or 400 Watt, which can save energy up to 25% while gaining the same lighting, responds to the world concern to reduce the energy consumption due to the global heat.

LED rear light equipment at the back open cargo area of a pick up truck has been trusted by the Sammitr Motor Limited Company to design and manufacture with the starting order of 200 sets per month, thus, this enhances the expanding of lighting products to the vehicle industry while the GTS aims to expand its market to other type of vehicles.

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 relating to business of manufacturing and assembling of electronic circuit cards under the customers' brands

The Company holds its revenue from manufacturing and assembling the circuit cards under the customers' brands (manufacture and assemble) amounting 34.13 % and 56.45 % of the total earning on December 31, 2006 and on December 31, 2007 which is the revenue that is essential to the operating result of the Company. Thus, the Company gives priority to the risk of this type of production under the customers' brand including the following risks:

1.1 Risk relating to moving of the manufacturing base and relying on major customers

At present, in the world of industry relating to technology, there are many products that consist of electronic parts. Many manufacturers both local and international concentrate on the competition to satisfy the needs of the consumers and more even more severe due to the rapid changes of technology. Therefore, the manufacturer sets the business strategy as the competitive edge to reduce the manufacturing cost by concentrating on using global sourcing in order to achieve the lowest cost but still maintaining the quality. Thus manufacturing and electronic circuit assembly in Thailand is affected by moving the manufacturing base due to the need for a cheaper manufacturing location as well as the slowdown of customers' orders which have affected the manufacturing and assembling of electronic circuit cards in general.

The Company relies on the revenue from the manufacturing and assembling of electronic equipment under the major customers' brand namely: the Daikin Industry (Thailand), the Westin Digital (Thailand) Company Ltd., the Chin Satellite Co. Ltd., the Sony Technology (Thailand), the Shimohira Electric (Thailand) Co. Ltd., the Pioneer Manufacturing (Thailand) and the PCTT Co. Ltd. etc. In 2006 and 2007 the Company has earned total revenue at 79.93 % and 61.29 of the revenue from the manufacturing and assembling the electronic circuit cards un the customers' brand which is 49.24 %and 25.15% of the total earning respectively. Most of the products of the major customers are the circuit cards for the electric appliances, in the electronic equipment, in computer hardware and in the telecommunication equipment. Thus, when the customers change the amount of their orders, the revenue of the Company will be fluctuated in accordingly.

However, the Company has been concerned about the consequences from the fluctuation and has tried to expand the customer base and reduce the proportion of relying on the major customers. In addition, the Company has also operated business in other lines e.g. manufacturing and distributing telecommunication and electronic equipment under the brand of "FORTH", manufacturing, distributing and turnkey business on installing complete traffic control system, electronic sign boards, distributing of electronic parts and levying benefits from advertising concession on the Smart Traffic Signs Board in Bangkok. All are meant to disperse the risk of the business of the Company. Apart from that, in the future, the Company plans to develop new products such as electronic meters for electricity, vehicle tracking data through satellite transmitter devices, etc. Thus spreading the risks form production and assembly of electronic circuits under customer's brand.

1.2 Risk relating to out-of-dating of the products affecting the need for technology change

Generally, the life cycle of the electronic equipment is quite short due to the rapid changes of the technology, and need for newer models of products with higher efficiency. Thus the effect of out of date products causes manufactures to develop their production technology to catch up with other new products. If the Company cannot update the technology, we might lose the customer base to other competitors who use higher technology.

Therefore, the Company has been investing regularly to use high technology in manufacturing. In 2005- 2007 the Company had invested for machinery 19.40 million Baht, 91.44 million and 97.55 million Baht respectively to improve the manufacturing technology to catch up with changing technology which cause the Company to win the reward of the Best Supplier on the manufacturing standard from the Daikin Industries Ltd. Japan and the Pioneer Manufacturing (Thailand) Ltd. in 2005. This guarantees that the manufacturing standard of FORTH has be highly accepted. Furthermore, FORTH derived technical co-operation from the product researcher in Japan as we; as from the customers to improve the manufacturing technology. Thus Company is very confident that it will certainly be able to catch up with the changing of production technology

1.3 Risk relating to relying on technical support

The Company has signed a contract for deriving technical support with a manufacturer and researcher in Japan while Forth has received the technical advice and know-how such as deriving expertise from Japan to give advice on the manufacture, quality control and provide some equipments and testers to support the manufacturing and assembling the electronic circuit cards under 10 customers' brands since 2004 and still 12 productions to complete in 2007 which cover the total revenue of 49.61%, 47.27 % and 13.57% of the total revenue earned from the manufacturing and assembling the electronic cards since 2005 to 2007 or it is 20.83%, 16.14% and 8.36 % of the total earning of the Company respectively. Since the Japanese assistant company has been designing products along with our clients, thus, without their technical assistance, it may affect the earning from the customer in this group.

The Company has received the trustworthy from know how owners and customers to manufacture for them since 2003. Know how owners have invested in machine for inspecting the quality of products and install the equipments and devices at FORTH factory for the facility and has signed contract to lend all of them without any cost. Besides, to be selected as a manufacturer for the customers, the Company has to go through the whole process and inspection till the customers would accept the quality and trust the Company to be their manufacturer. If the customers switch the manufacturer, they would need to consider to select a new one and that would cause more of Switching Cost which could result in higher cost of production and the inability to compete.

Furthermore, the customers has co-operated with the customers in many production processes ranging from planning, opening plant for visiting and inspecting the production process as well as the research and development available for responding to the need of customers. In the case that customers require urgently action on shipping, the Company would always be prompt to respond to their requirement so that they would acknowledge that the Company has complete readiness in all aspects for the manufacturing and shipping of

products and they can be confident that the products would arrive on time. Thus, we anticipate that the customers would still select the Company for their manufacture with the technical support from the research and production.

2. Risk relating to 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 manufacturer and distributors of equipment and electronic parts under customers brand, the Company has to optimize the exceed level of inventory by selling the ones that have been in stock without use for over 1 year due to the material reserve policy of the Company.

In 2006, the Company holds the reserve deposit of 5.50 million Baht for the added value and in 2007 more is reserved up to 24.39 million Baht.

Currently, the Company has focused more on the movement of the raw material and inventory by monitoring them monthly and analyzing the cause of their movement in order to set up the strategy to utilize or sell the raw material and inventory of slow circulating. Or reduce inventory turnover by focusing on marketing on that section of products.

3. Risk relating to purchase of raw material for the product using (LED) from major suppliers

Light Emitting Diode (LED) is the most important material in producing traffic lights and the electronic signs of GTS, which have been certified of its products by the government by presenting the LED raw material from 2 suppliers from other countries. If the suppliers would stop selling 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 the United State of America because they are the world specialists in the lighting technology industry and they have internationally recognized by their production standards. Usually, the Company's plans are to order raw material in advance and till now the suppliers can deliver the raw material on time. Thus,, we are confident that we have enough raw materials for the production and installation of traffic and electronic signs.

4. Risk relating to Liquidity from transaction with the customers of the governmental section

Since more of the products of the Company are equipment and device of the PBX, the traffic light, electronic board, electric meter which are aimed for the customers in the governmental sector that are holding longer term credit than the private sector depending on the budgetary system of each organization. However, the Company has anticipated to earning more from the transaction of this group from bidding. Thus, the Company needs to have enough liquidity to operate the business that supports projects that concentrate more on the governmental customers.

Before the Company has experienced on the turnkey project to manufacture and distribute the traffic light system for the Bangkok Metropolitan and other governmental offices. Therefore, we understand more about the liquidity management when holding a transaction with a government office. Normally customers in this group will require a credit about 60 days, therefore the Company need to keep a capital circulation to support the longer cash circulation and we can also acquire more of the load amounts from commercial banks enough to enhance the normal status of the liquidity of the Company.

5. Risk relating to Projects on the Smart Traffic Signs Board of Genius Joint Venture

The Genius Joint Venture consists of the FORTH Company and the GTS, has signed an agreement with the Bangkok Metropolitan Administration through the bidding on the project to install Smart traffic signs boards include rights to maintenance and levy benefits from the advertisement on those boards. . The invested capital of the project is baht 235 million which may cause the following risks to the business of the Company:

5.1 Risk relating the Lower Income from advertising than what was planed in the goal

Due to the terms of an agreement, Genius Joint Venture has the right to levy benefits from advertising on Genius traffic sign boards. The agreement would be valid for 3 years with 2 renewals for more terms, thus, it would be 9 years for the whole project. The Genius Joint Venture has agreed to pay monthly and yearly fees totally amounting of baht 14.45 million per year. If Genius Company is unable to source enough income from the advertising to cover its cost and expense, the Joint Venture might affect the operation result of the Company.

In the previous year, the Company has encountered a profit loss because of the the Hallo Bangkok Trivision Company has cancelled the contract due to the low operation result and the static economic situation. Thus, the Company has to run the operation which takes time to accumulate marketing data to set up appropriate strategy with 3 guidelines as below:

1. Adjusting the format and time table to satisfy the need of the customers which has gained better more response.
2. Joining with more alliances who running the advertising business to sell in Package, thus, it can cover more area and can reach more target groups. This has attracted more customers to use the advertising service.
3. The Genius Joint Venture has been negotiating with the Bangkok Metropolis Administration for improving the format of the advertising for more income due to the survey on the need of customers.

5.2 Risk relating to the expiry of the Contract

After Genius Company has transferred Genius traffic signs to become the property of the Bangkok Metropolis Administration and Genius Joint Venture Company should act according to the terms of agreement e.g. during the contract period, the Joint Venture Company holds the

responsibility to maintain the Genius traffic signs and its equipment in proper condition. If Genius Company fails to completely act in according to the term of conditions and agreement, the Bangkok Metropolis Administration has the right not to the renew the contract which may cause a loss to the Genius Company on this project and this will consequently affect the profitability of the Company.

Furthermore, Genius Company has invested 210 million in the project mentioned above for a 3 years period renewable for two terms totaling 9 years. Thus, the Genius Company is quite confident that it can comply with the terms of agreement and it has the policy to dispose of investment every month at the amount of 1.98 million Baht or 23.72 million Baht per year for a term of 9 years. If the Bangkok Metropolitan Administration terminates the agreement Genius will have to dispose the investment immediately for the total years not contracted which would be a large expense affecting affect the financial balance of the operation directly.

However, the Company has a very good plan for the operation of the Genius traffic signs including maintenance, by always reserving sufficient spare parts. The Company is confident that we can comply with the terms of condition and agreement completely which will enable the Company to have another renewal of the contract and agreement while the Bangkok Metropolis will consider to provide more monthly and yearly allowance. Moreover, since we are the first producer in Thailand who has manufactured the color sign display for the Genius traffic sign boards which cost lower than the same products from abroad. And we hold more advantages on being the developer of software to be used to support all the traffic sign hardware which requires the technology of the Company for maintenance. Therefore, we are sure that it would be hard to find other companies to operate and maintain all of the equipments. We are also believe that the Company will be able to operate and levy benefits from the advertising on the Genius Traffic Sign Boards which may take about 4 years to for capital return for this project.

Currently the Company has been well operating which satisfies the Bangkok Metropolis Administration so much that they have planned to install 40 more of the Genius electronic sign Boards.

6. Risk relating to the Turnkey project of the developing and installing software on the ERP, CSS and the Billing system

Since the Company had signed as the Forth Consortium in the contract with the Metropolitan Electricity Authority on November 7, 2005 to develop and install software on the ERP, the Customer Service System and the Billing system amounting 549 Million Baht. The contract consisted of 6 deliverances of products and services, all of which needed to be completed within October 28, 2007. The Company held some interests on the project amounting 378.81 million Baht which is 69% of the whole Project value. If the Consortium could not deliver the product and service in according to the time frame, the Consortium would

have to pay the fine at 0.2 % of all the project value but had to be not less than 100.00 Baht per day and the supervising fee of 5,000 Baht per day starting from the day after the dead line.

However, in 2007 the Consortium has been working on the project which is behind the schedule and the Company has negotiated with the Electricity Authority of Bangkok Metropolitan to inform of the problems of the Consortium and requested for the extended time frame of the contract which the Company has anticipated that the request will be approved.

7. Risk relating to the exchange rate

Since the Company and ES have been the big importers of raw material (electronic parts) for manufacturing in accordance with the customers' orders and for distributing, in 2006 and 2007 the ratio of importing was 78.00 % of the capital in purchasing the raw material. The price offering and the clearance were made in term of U.S dollar, HK dollar and Japanese Yen while the income of the Company earning from selling the product is in terms of Baht. Thus, this might cause risk to the Company relating to the fluctuation of the currency.

Therefore, to purchase the raw material, the Company and ES have reserved and priced the raw material in advance and monitored closely the currency involving the business to acquire the data for management on production investment. At present the Company and ES hold a high reserved capital for the forward Contract to purchase the foreign money with the financial institutes to use during the high currency fluctuation. The insurance against the risk of the reserved sum was enough for the cost of the two companies and also allowed the selling price for the customers due to the exchange rate.

8. Risk relating the reliance on Executives

Since Mr. Pongchai Amatanon has been the founder of the company and held the position of the Managing Director and (acting for) the Service and Marketing Director who has been experienced in this business for a long time with the responsibility in assignment of policies, directions and marketing strategy of the Company. Thus, in case of any change of the executive, the Company might encounter problems in operating the business in the future.

Therefore, the Company has set up an organization structure by appointing the Board of Director who has experience in operating business of industry and has dispersed the authority on managing to the executives of lower level to be able to participate in and sharing the decision making as well as fixing the direction of the Company. The Company has dispersed its authority to the subsidiary and associated company and allocated the responsibility clearly while Mr. Pongchai will be responsible for the assignment of the policy of the Company and the subsidiary in the overall and for the management of the factory. The decision making and other managing work will be in the responsibility of each section to reduce risk relating the reliance on one executive of the Company.

9. Risk relating the major shareholder group

In 2007, the Amatanon Family has held the shares totaling higher than half of the whole common shares paid up, this enables the shareholders of this group can control almost all the resolution of the general meeting ranging from the nominating of the Committee or the request for the resolution which requires most of the votes of shareholder meeting except the subject that is stated by the law or the regulations of the Company which required $\frac{3}{4}$ votes of the members of the meeting. Thus, other shareholders may not be able to gather votes for auditing or balancing the subject that the major shareholders proposed.

However, since 2004, the Company has appointed the Audit Committee to participate in the meeting of the Board of Director to consider and or approve any subjects before presenting to the general meeting of the Company. Therefore the shareholders can be assured of the transparent operating of the Company.

Shareholding

The Company Shares

As of December 31, 2007 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 March 10, 2008

| Name of Shareholders | No. of Shares | % |
|------------------------------------|--------------------|---------------|
| 1. Amatanont Family ⁽¹⁾ | 303,637,100 | 64.29 |
| 2. Mr. Poonsak Siripongpreeda | 13,743,900 | 2.86 |
| 3. Mr. Boonyong Ninneunnont | 12,886,800 | 2.68 |
| 4. Ms. Mathinee Wandeepirom | 12,375,200 | 2.58 |
| 5. Mr. Boonya Tantipanichpun | 12,355,700 | 2.57 |
| 6. Mrs. Tharinee Senchantichai | 8,054,600 | 1.68 |
| 7. Mr. Supat Pongrattanakul | 7,605,100 | 1.58 |
| 8. Mr. Sarawut Pianpitak | 5,764,200 | 1.20 |
| 9. Miss. Boonyanit Ninneunnont | 4,875,700 | 1.02 |
| 10. Miss Nilobon Arunyapaak | 4,804,800 | 1.00 |
| Others | 88,993,000 | 18.54 |
| 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 | 17,044,800 | 3.55 |
| 4. Ms. Rangsee Lerttripinyo | 28,962,000 | 6.04 |
| 5. Mr. Naris Lerttripinyo | 200,000 | 0.04 |
| Total | 308,541,000 | 64.29 |

Dividend Policy

The company has established 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 situation, liquidity and the necessity to expand the operation as well as the reserved on circulating capital of the operating of the organization. The subsidiary companies hold the policy to pay dividends at the rate of not less than 20% of the net earning after of the corporate income tax of the of some specific operating depending on the investment plan and the expanding of the business of the subsidiary companies as well as other necessity and propriety.

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, 2007, 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 Lertripinyo | 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 Lertripinyo, 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 2007, 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, 2007, 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 Directions and/or the Shareholders' meeting.

The Audit Committee

As at December 31, 2007, 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.

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.

Management Team

As at December 31, 2007 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 Ungsakulpreecha | Vice President of Accounting and Finance |
| 6 | Mrs. Suchada Tuansomboon | (Acting) Vice President of Off ice Administration |

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.

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.

Remuneration for the Board of Director and Management

1. Financial remuneration

| Remuneration for the Board of Directors | 2005 | 2006 | 2007 |
|---|---------|---------|---------|
| Total Remuneration of all Directors as the committees of the Board of Directors (Baht)* | 923,400 | 654,000 | 750,000 |
| Number of Directors (person) | 8 | 9 | 9 |
| Type of Remuneration | - None- | Cash | Cash |

Note: * In the meeting of the Board of Directors of 1/2007 on February 26, 2007, the meeting had a resolution to set the meeting per diem and the remuneration for the Independent Directors / Audit committee as follows:

1. Meeting Per diem for the Board of Directors
 - The Chairman of the Board of Directors will be paid of 12,000 baht per each meeting attendance.
 - The Director will be paid of 10,000 baht per each meeting attendance.

2. Meeting per diem for the Audit Committee

- The Chairman of the Audit Committee will be paid of 30,000 baht per each meeting attendance.
- The Audit Committee will be paid of 28,000 baht per each meeting attendance.

| Remuneration for the Board of Directors | 2005 | 2006 | 2007 |
|---|---|-------|-------|
| Total Remuneration of all Directors as the committees of the Board of Directors (Baht)* | 18.17 | 27.21 | 27.99 |
| Number of Directors (person) | 10 | 10 | 10 |
| Remuneration in form of money | Salary, Social Security money and Provident Fund, Bonus, petrol and cost on maintenance of the executive cars | | |
| Others | Executive Cars, Mobile telephones | | |

2. Other benefits -none-

Principles of Corporate Governance

Corporate Governance

The company has established the standard principals of good corporate governance, which is important to registered companies as it reflects a management system that is efficient, transparent and verifiable. It helps provide assurance and confidence to shareholders, investors, interested persons and all relevant parties. Therefore, the principal of good corporate governance is a tool which adds value and promotes steady growth of the business. The company shall determine the policy for good corporate governance for companies registered in 2006 pursuant to the regulations of the stock exchange, consisting of the 5 principles and regulations for good corporate governance as follows.

Principle # 1

Shareholder's rights

1. The company understands the importance of shareholder's rights and has thus determined a policy for good corporate governance by setting regulations for treating shareholders justly and lawfully since the time it entered the stock market. Some examples include the right to buy, sell and transfer shares, the right to receive dividend, the right to receive news and information on the company, the right to attend shareholder's meetings, the right to vote on various issues being considered, the right to authorize a proxy to attend meetings, the right to appoint directors and auditors, the right to express opinion and question the directors in shareholder's meetings and the right to propose an agenda and nominate a director in advance, for starters.
2. The company shall supply to the shareholders sufficiently in advance adequate information on the date, time, location and outline of the meeting agenda. This includes provision of all information relevant to the issues being considered in the shareholders' meeting, provided in advance and in a timely manner. The shareholders shall also be notified of the meeting regulations and the voting procedure. Such information shall also be posted on the company's website in advance. In the year 2008, the company shall provide for the first time the right to propose agendas and nominate directors prior to annual general meeting of shareholders. In relation thereto, the company made some amendments to create assurance and strengthen the confidence of shareholders, investors, interested persons and relevant parties equally while placing importance on the rights of the shareholders.

The determination of the date, time and location of shareholders' meeting

The company shall hold an annual general meeting of shareholders within 4 months from the last date of the fiscal period whereby a resolution has been passed by directors of the company to set

the date, time and location that is convenient for travel and suitable time wise. In relation thereto, the company shall provide shareholders with the opportunity to study the company's information in advance from the website of the stock exchange commission and of the company.

Meeting invitations

The company shall send an invitation to meetings together with information relevant to the meeting according to the agenda to the shareholders no less than 7 days in advance, and shall attach additional relevant documents as notification of shareholders' meeting regulations and the voting procedure. In relation thereto, the company has arranged to disseminate the information on the company's website in advance, prior receipt of the documents for the meeting, in order to give shareholders sufficient time to study the information prior to the meeting and before the information is actually received in document form from the company.

Attendance at meetings

The company will announce details of the evidence shareholders are required to present in order to participate in meetings or evidence of authorization of a proxy from shareholders in order to confirm the right to participate and vote in shareholders' meetings. The chairman shall provide shareholders with equal opportunity to check the company's operation and to raise questions as well as make comments and suggestions.

Provide opportunities for shareholders to vote, raise questions and voice opinions as well as record of meeting minutes

The meeting chairman shall provide sufficient time and conduct meetings in an appropriate and transparent manner. In meetings, during consideration of each agenda, the chairman shall offer shareholders equal opportunity to give opinion and raise questions within a reasonable time period prior to voting and resolving each issue on the agenda. For the voting, the company shall consider 1 vote for 1 share and the majority vote rules on regular issues. In the case of an equality of votes, the chairman shall have a casting vote. Voting on special resolutions shall be as per the company's regulation or as stipulated under the laws and by the relevant office. The company shall vote by casting ballots and the ballots shall be kept for future verification. The company shall also record in writing the number of votes in meetings for or against any issue as well as the number of votes that abstain in the minutes of the meeting. The voting during a meeting shall also be recording on video in the case where any shareholder has a specific interest in an issue being considered, in which case the shareholder shall abstain from voting on such issue.

In the year 2007, the company held an annual general meeting of shareholders on 28th March 2007, with 8 directors present as 1 did not attend from a total of 9 directors. Directors holding various positions on the board assisted in clarifying various issues and answering questions raised by shareholders.

Principle #2

Equitable treatment of shareholders

The company is aware of the importance of providing general rights to treat shareholders equally. Therefore, the company's policy is to promote the equitable treatment of shareholders by giving shareholders the following rights:

1. The right to authorize a proxy to attend meetings and vote on their behalf

In the case where a shareholder is unable to personally attend a meeting, such shareholder is able to authorize another person or an independent director of the company proposed by the company to act as a proxy for the shareholder, to attend a meeting and vote on the shareholder's behalf. The company shall attach a proxy form together with the invitation to the meeting, or the same can be downloaded from the company's website at www.forth.co.th. In the case where a shareholder wishes to appoint an independent director as a proxy, the shareholder must submit a proxy form containing the complete details together with copies of the identification card or passport or other specified forms of identification to the company prior to the shareholder's meeting.

2. The right to propose issues to be added to the agenda

The company's policy is to provide shareholders with the opportunity to propose issues for inclusion in the agenda in addition to the agenda proposed for the annual general meeting. The proposal of an agenda is permitted by a shareholder in accordance with the following procedure:

- 2.1 The issue being proposed for inclusion in the agenda shall be submitted together with an explanation, details of the facts and other information required in order to propose such agenda in the form for proposing a meeting agenda, which can be downloaded from the company's website at www.forth.co.th, or by contacting the company at the following address: Forth Corporation Public Company Limited, Investors relation, No. 226/12,13 and 16, Phaholyothin Road, Samsen Nai Sub-district, Phayathai District, Bangkok 10400 Thailand., facsimile number 02-6150615 or telephone number 02-6150600 ext. 314 (Investors Relation Department)

2.2 Criteria for considering issues proposed for inclusion in the meeting agenda is as follows.

The company shall cross check the shareholding of the person proposing the additions to the agenda with the registration of the shareholder as of the closing date of the register book, followed by verification of the rights of the shareholder to attend the meeting with the register of shareholders and determination of whether or not the proposed issue relates to the operation of the business or affects the operation of the business in a serious way. If the directors agree to add the proposed issue to the agenda, the issue will be included on the agenda for the shareholders' meeting. It shall be stipulated that the issue was proposed by a shareholder. The company will announce to the shareholder whether or not the issue is approved by the board of directors via the company's website.

3. The right to nominate a company director

3.1 Shareholders have the right to nominate a candidate for directorship in accordance with the following procedures, qualification and restricted characteristics of the director. The company reserves the right to consider only candidates who meet the criteria specified below and have provided complete and correct information only.

- i. Persons nominated to be a director must have the following qualifications and must not have the following restricted characteristics:
 - Have the correct qualifications and not have the restricted characteristics according to the Limited Public Company Act, regulations of the Securities and Stock Exchange as well as the principals of good corporate governance of the company
 - Have the knowledge, skill and independence to act as a director with care, honesty and is able to give consideration time, is of suitable age, is physically fit and mentally sound, is able to consistently attend director's meetings, is well prepared in advance for meetings, is actively involved in meetings, is direct, is confident to express opinion in meetings and/or is a reputable businessman with an excellent work history, displays ethical behavior and is accepted by society;
 - Have the knowledge and ability relevant to the company's business; and
 - Is not holding directorship positions in many other companies concurrently.
- ii. Independent directors shall consider and determine the suitability of candidates for proposal to the shareholders' meeting, which shall further consider and resolve whether or not he/she shall be a candidate for company director. If the independent directors do not propose the nominee to the shareholders' meeting, the nominated

person shall be presented to the shareholders' meeting for the meeting to pass a final resolution.

- iii. The shareholders shall use the form attached herewith consisting of (1) Nomination form for position of director, and (2) information on the person being proposed for the directorship position, whereby the person nominated agrees and certifies the information. The form shall be sent to the company via registered mail by 8th February 2008 (determined based on the date stamped the by recipient postal office) to the address of the company provided above.
- iv. Share certificate or letter certifying share ownership issued by a registered company/agent.

4. Protection of internal information

The company's policy is to limit the use of internal information to only middle to senior level managers involved with the department or factory only. The audited financial statement shall be kept in the safe keeping of the director of the finance and accounting department, especially during the period before the company announces its operational result to the public through the stock exchange of Thailand. Other confidential information on the company may be discussed with the management of other departments and factory managers only. Within a 1 year period after the company is registered with the stock exchange of Thailand, the company never experienced problems with leakage of internal information. This is a result of the company's policy to strictly control such matter. If internal information is used and it causes damage, the directors will consider punishing the involved persons. Additionally, the company has notified the managers and directors of the requirement to notify the SET committee of the ownership of assets held by the directors, managers, spouses and children who have not reached the age of majority, as per regulations requiring that disclosures be made every trimester.

5. Control usage of internal information

The company has a policy to prohibit employees and management from gaining access to internal information relating to the company's operation, as well as the buying and selling of company assets from the date information is known until the date the information is made public. Information that should not be disclosed can not be circulated for the purpose of increasing the value of assets.

Apart from the company notifying the directors and managers of the duty to report the company's assets to the Securities and Exchange Act B.E. 2535, as well as the punishment pursuant, also required to be disclosed is the change in ownership of assets by a spouse and children who have not reached the age of majority. The directors and managers must send a

copy of the notification to the company on the same date the notification is submitted to the SET. Notification is required to be submitted within 3 working days.

Principle # 3

Acts of interested Parties

The company places importance on the rights of all groups of interested parties being the customers, competitors, shareholders, employees and company directors. The company is considerate of the support from interested parties as it enables competition, creates profit for the company, and is it effective in ensuring long-term success for the company. Therefore, the company has established a code of conduct for employees to comply with in dealing with interested parties as follows:

Employees

- Have personal rights and have the rights to protection from infringement of personal rights
- Right to receive equal treatment and opportunity
- Other rights related to employment which are fair and just such as permission to take leave of absence, beneficial rights and opportunity to be promoted, transferred and evaluated based on work performance

Customers

- Right to receive fair and equal treatment
- Right to receive service from knowledgeable and capable employees
- Rights to receive efficient and quality products
- Rights to have confidential information protected

Product/service providers and other agents

- Rights to receive fair and equal treatment
- Rights to have confidential information protected
- Right to be treated honestly and with credibility
- Rights to know the relevant laws, regulations and policies
- Right to fair competition

State enterprise

- Right to control and impose punishment pursuant to the law, regulations and standard practice of the state enterprise.

The company stipulates methods for interest parties to appeal. Interested parties may submit appeals in writing, together with sufficient information including the name and surname as well as the address where the appellant may be conveniently reached, to the Investors Relation as per the address or email of the company provided

above. The Investors Relation department will convey the appeal to the management directors or investigation committee or the board of directors for further investigation and ratification on the following basis:

1. In the case of an appeal from a shareholder, the appeal shall be sent to the investigation committee and/or board of directors. In this case, the shareholder may also contact the director of the investigation committee directly at the company's address provided above.
2. In the case of an appeal from customers, competitors or the general public, the appeal shall be sent to the management team for ratification, and which will be reported to the board of directors for acknowledgement.
3. In the case of an appeal from debtors, the appeal shall be sent to the management team or the director may consider sending the appeal to the board of directors.

Principle #4

Disclosure of information and transparency

1. The company has disclosed information through the stock exchange as per the criteria stipulated. The form for provision of information to be submitted annually (form 56-1) and the annual report also discloses information, provided via the company's website at www.forth.co.th under the section "investors information". Consequently, shareholders, investors and analysts may have access to a variety of information on the company, information which the company updates on a regular basis.
2. Additionally, the company also holds meetings to announce to investors operational results in each trimester. Analysts and the media including persons who are interested may request additional information each trimester, with exception of trimester 3/2550 as no meeting was held to announce the operation results. The company also holds company visits for investors and analysts to visit the factory (in Phuttamonthon Sai 5) as per the following schedule:

Activities in 2007 - the company held events that can be summarized in 3 parts as follows:

Part 1- Opportunity Day

- Trimester 4/2549 on 29th March 2007
- Trimester 1/2550 on 23 June 2007
- Trimester 2/2550 on 20th August 2007

Part 2 - Company Visit (factory)

- Investors on 18th January 2007
- Analyst on 29th November 2007

Part 3 - Company Visit (head office)

- Analyst and funds for various institutions

3. The company presented a report on the board of directors' responsibility, the financial report together with the report of the auditor, given in the annual report.

4. The company disclosed the role and duties of the board of directors and investigation committee, the number of meetings held and the number of times each director attended board meetings in the previous year including the number of votes in favor of the investigation committee's actions in the annual report. The invitation to the shareholders' meeting is as per the regulation of the stock exchange and SEC.

Record of Director's attendance at meetings in 2007

| No. | Name | Attendance/Meeting |
|-----|--------------------------------|--------------------|
| 1. | Mr. Sanit Vorapunya | 4/4 |
| 2. | Mr. Pongchai Amadan | 4/4 |
| 3. | Mrs. Rangsi Ruettrapiyo | 4/4 |
| 4. | Mr. Gelick Amadan | 4/4 |
| 5. | Mrs. Matinee Wandeepirom | 4/4 |
| 6. | Mr. Bounya Tuntipanitpan | 4/4 |
| 7. | Miss. Chonticha Siripongbreeda | 4/4 |
| 8. | Mr. Suthum Maleela | 4/4 |
| 9. | Miss. Nongram Loawarideelok | 4/4 |

Record of Directors of Investigation Committee's attendance at meetings in 2007

| No. | Name | Attendance/Meeting |
|-----|-----------------------------|--------------------|
| 1. | Mr. Sanit Vorapunya | 4/4 |
| 2. | Mr. Suthum Maleela | 4/4 |
| 3. | Miss. Nongram Loawarideelok | 4/4 |

5. The company's policy for providing remuneration to directors is as per the rates determined by a resolution of shareholders' meeting, a rate which has remained the same for many years. Therefore, the company proposes to reconsider the director's remuneration to increase the rate from the previous year to an appropriate amount consistent with the industry standard. The matter is currently pending a resolution from the annual general meeting for 2008
6. With regards to remuneration for senior management level directors, the company's policy is to pay compensate that reflects the duties and responsibilities of each senior manager. Payment of consideration shall be in an appropriate amount consistent with the industry standard.
7. The company has revealed the compensation information with details on the structure, type and amount of monetary compensation in the annual report and in form 56-1.
8. The company has an Investor's relation department for communicating with outsiders equally and fairly.

Principle #5
Responsibility of Directors

1. Organizational Structure

There are 9 members on the board of directors or company directors and 3 non-executive directors who are also independent directors.

The company clearly sets out the duties of directors in the rules and regulation as well as the articles of the company, which are in accordance with the law.

The board determines the qualifications of “independent directors” in detail, given in the annual disclosure form (form 56-1) and in the annual report.

1) Annual Report

The company outlines the duties and responsibilities of the directors for the shareholder’s acknowledgement in the annual disclosure form (form56-1). The shareholders may download the information from the website of the stock exchange of Thailand at www.set.or.th and from the company’s website at www.forth.co.th.

The company’s policy is to separate the position of chairman and that of managing director, to be held by different persons, in order to ensure clarity and transparency in the management of the business.

The limitation on the authority, duties and responsibility is clearly stipulated and given in the annual disclosure of information form (form 56-1).

2. Sub-committees

The board of directors has established a sub-committee, being the investigation committee made up of 3 independent directors. The qualifications, duties and responsibilities are as stipulated by the securities exchange and is given in the form for disclosure of information (form 56-1)

3. Guide for determining compensation and senior managers

Determination of remuneration for board of directors and senior management will take into consideration the duties and limitation of responsibilities of the director or senior manager, performance evaluation of the director as well as the company’s performance. Additionally, it shall be considered in line with the industry standard. As such, the remuneration for directors must be approved by a shareholders’ meeting.

4. Term of Office

During annual general meetings, the board of directors of the company amounting to one third or approximately one third must retire from office. Directors who retire from office may be reappointed for another term.

5. Self-evaluation by directors

The board of directors will arrange for an evaluation of the work performance of the board. Such evaluation must take place at least once per year to increase the quality and understanding of the joint cooperation of the board of directors.

6. Development of directors and managers

The board or directors has a policy to encourage all directors, senior managers and company secretaries to participate in training relating to management of the company's operation. Such training shall be consistently help both internally and by outside institutions such as the securities exchange of Thailand, the SET or other Institute of Directors (IOD) in Thailand.

The appointment of new directors, especially independent directors, the company would supply basic company information such as the structure of the organization, operational style, main products, company rules and regulation and laws relevant to the company including the SET regulations and that of the securities exchange. This to facilitate the new director's understanding of the company's operation and the duties and responsibilities associated with being a director or independent director.

Control usage of internal information

The company has a policy to prohibit employees and management from gaining access to internal information relating to the company's operation, as well as the buying and selling of company assets from the date information is known until the date the information is made public. Information that should not be disclosed can not be circulated for the purpose of increasing the value of assets.

Apart from the company notifying the directors and managers of the duty to report the company's assets to the Securities and Exchange Act B.E. 2535, as well as the punishment pursuant, also required to be disclosed is the change in ownership of assets by a spouse and children who have not reached the age of majority. The directors and managers must send a copy of the notification to the company on the same date the notification is submitted to the SET. Notification is required to be submitted within 3 working days.

Related parties Transactions

According to the consolidated financial statements of 2007, 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 2007, 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 2007 , she is the company 's director and holding share 6% | Rental fee | 360,000 | The Company rents 3 Sstore 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 | The Company 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 | 72,000 | The Company 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 2007, he hold 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 2007, Forth Corporation PCL. hold 45% of total shares | Account Receivable - Beginning Balance - Sales - VAT - Decrease - Ending Balance Account Payable - Beginning Balance - Purchase - VAT - Decrease - Ending Balance | 6,889,954 7,950,608 556,454 (3,080,242) <u>12,316,863</u> 1,030,434 1,451,022 101,572 (2,545,354) <u>37,674</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 2007, 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 | 9,947,632 11,303,067 791,215 (5,112,813) <u>16,929,101</u> 23,540 145,000 10,150 (178,690) = | 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 2007, 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 | 573,219 1,774,494 1224,215 720,000 (2,867,326) <u>324,602</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 | - 11,245,354 787,175 <u>(12,032,529)</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 2007, 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 - Amortization - Ending Balance | 34,900 470,000 <u>(504,900)</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 of the Expert Engineering and Communication Co.,Ltd. and the Genius Traffic System Co.,Ltd. | The subsidiary has portion 10% in this joint venture | Account Receivable - Beginning Balance - Sale - VAT - Decrease - Ending Balance | - 2,276,050 159,324 (-) <u>2,435,374</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 |
| Joint venture Genius Traffic – Service Intercall | The subsidiary has portion 20% in this joint venture | Account Receivable - Beginning Balance - Sale - VAT - Decrease - Ending Balance | - 3,512,200 245,854 <u>(3,758,054)</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

Forth Corporation Public Company Limited (Company) together with all its Subsidiaries and Associated Companies operating business relating to the electronic industry while the business of the Subsidiary Companies and the Associated Companies will support each other ranging from the product designing, innovating, research and developing as well as providing raw materials for the production including the marketing and distributing. The Company will mainly manufacture the print circuit board/card while the Subsidiary Companies and the Associated Companies will do the study, research and distributing the raw material as well as the products for human including the marketing plans.

| Company | Abbreviation | Type of Business |
|--|--------------|---|
| Forth Corporation Public Company Limited | FORTH | Manufacturing and assembling print circuit board and electronic equipments and communication equipment under the brand of "FORTH" |
| Electronic Source Company Limited | ES | Retailing and wholesaling electronic parts as well as the distributor of leading electronic equipments |
| Genius Traffic System Company Limited | GTS | Researching on technology, distributing and installing equipments of complete traffic light controlling system and electronic sign boards |
| Genius Electronic Meter Company Limited | GEM | Researching on technology, distributing and installing electronic meter for electricity |
| Forth Tracking System Company Limited | FTS | Researching on technology, distributing and installing vehicle tracking equipment to transmit data via satellite |
| Genius Joint Venture | JV Genius | Authorized by the Bangkok Metropolitan to install the Genius Traffic Sign Board as well as to give maintenance at 40 locations with a network control Center and levying the benefits from the advertising on the Genius Traffic Sign Board |

In 2007, The Company had a steady growth of operating results. The whole group has total revenue Baht 3,940.97 million comparing with Baht 2,840.61 million of 2006 or increasing 59% that enables the Company to get a big growth of net income to be Baht 211.91 million in 2007 comparing with Baht 213.48 million in 2006 or increasing 0.47 %.

Operating Result of 2006 - 2007

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

| | 2006 | | 2007 | |
|---|---------------|--------|---------------|--------|
| | Baht | % | Baht | % |
| Revenue from the main business | | | | |
| 1. Revenue from manufacturing and sale telecommunication equipment and electronic equipment under brand "FORTH" | 532,186,081 | 21.45 | 343,388,422 | 8.71 |
| 2. Revenue from print circuit board and electronic equipment assembly under the customer brand | | | | |
| 2.1 Consign Parts Job | 243,393,315 | 9.81 | 250,925,946 | 6.37 |
| 2.2 Turn key Job | 603,298,414 | 24.32 | 1,973,716,459 | 50.08 |
| Total revenue from print circuit board and electronic equipment assembling under the customer brand | 846,691,729 | 34.13 | 2,224,642,405 | 56.45 |
| 3. Revenue from manufacturing, sale and installation traffic light system and equipment | 238,990,444 | 9.63 | 336,692,852 | 8.54 |
| 4. Revenue from manufacturing and sale Electric Light Screen | 14,793,950 | 0.60 | 287,179,564 | 7.29 |
| 5. Revenue from distribution of electronic parts | 583,693,337 | 23.53 | 538,915,035 | 13.68 |
| 6. Revenue from advertising on the Smart Traffic Boards | 119,166,667 | 4.80 | 39,018,304 | 0.99 |
| 7. Revenue from developing and implementing information system | 105,537,675 | 4.25 | 143,514,478 | 3.64 |
| Total revenue from the main business | 2,441,059,882 | 98.41 | 3,913,351,059 | 99.30 |
| Other income ** | 39,549,284 | 1.59 | 27,621,530 | 0.70 |
| Total Revenues | 2,480,609,166 | 100.00 | 3,940,972,589 | 100.00 |

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 2007, this revenue has 56.45% of total revenues some of which comes from the orders by the Western Digital (Thailand) Co. Ltd. which is our new customer and the Company has delivered products amounting Baht 1,386 million.

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 2007, the Company has Revenue from manufacturing and sale telecommunication equipment and electronic equipment under brand "FORTH" amounting Baht 343.39 million decreasing from Baht 532.19 million in 2006 or 35.48% due to the static economic situation and the slow down of the transaction in the governmental section which cause the decreased sale of the VoIP of Baht 41 million less, the PBX of Baht 75 million less and the Battery Charger of Baht 53 million less.

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 2007, total revenue from print circuit board and electronic equipment assembling under the customer brand has the amount of Baht 2,224.64 million increasing from Baht 846.69 million in 2006 or 162.75%. which is the result from the manufacturing orders by the Western Digital (Thailand) Co. Ltd. which is our new customer and the Company has delivered products amounting Baht 1,386 million.

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

In 2007, the Company had Revenue from manufacturing, sale and installation traffic light system and equipment amounting Baht 336.69 million increasing from Baht 238.99 million in 2006 or 40.88 % due to the developing of new products of the company covering the traffic light system and the close circuit camera which has gained higher sales to the Bangkok Metropolitan resulting from the dominant performance in the installation of quality traffic light system for 5 year.

4. Revenue from manufacturing and sale Electric Light Screen

In 2007, the Company has Revenue from manufacturing and sale Electric Light Screen amounting Baht 287.18 million increasing from Baht 14.79 million in 2006 due to the purchasing order from the Hello Bangkok Trivision Company Limited amounting Baht 242 million.

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 2007, the Company has Revenue from distribution of electronic parts amounting Baht 538.92 million decreasing from Baht 583.69 million in 2006 or 7.67 % due to the static economic situation.

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. This caused the Company to earn from the levying benefits from the advertising amounting Baht119.17 million in 2006 and Baht 10.83 million. I February 2007 the Hello Bangkok Trivision had cancelled the contract and the Genius Joint Venture has taken over the operating by it self which is the beginning of the new business with revenue of only Baht 39.02 million. This consequently cause the decrease of total revenue of Baht108.34 million or 90.91 % of total revenue.

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 2007, the Company recognized the revenue from developing and implementing information system amounting Baht 143.51 million increasing from Baht 105.54 million in 2006 or 35.98%

Cost and Expenses

Cost of product sold

In 2007, the Company has cost of product sold amounting Baht 3,233.73 million comparing with Baht 1,780.13 million in 2006 or increasing 81.66% and they are 82.05% and 71.76% of total revenues respectively. This result is shown that there is the inclining of cost of product sold per revenue's ratio due to the inclined revenue in 2007 from the manufacturing of the print circuit board, telecommunication equipment and electronic equipment under the brand of the customers had a big growth but it is the revenue that gains preliminary low profit. Besides, the Company has also invested more on the machinery of which depreciation is the fixed cost when the machine starts, thus this results in the higher cost while there is no complete income.

Selling and administrative expenses

In 2007, the Company has selling and administrative expenses amounting Baht 364.44 million increasing from Baht 340.74 million in 2006 or 6.96% because the increasing in employee expenses due to the increasing employees and normally increasing salary.

Allowance for diminution in value of service amounting

In 2007, the company has the allowance for diminution in value of service amounting Baht 24.39 million which is Baht 5.50 million higher than the same period in 2006 or 34.45 % due to the incline of the allowance for diminution in value of service amounting during the operation the project on developing and installing software of the ERP, the CSS and the Billing system fort the Electricity Authority of Bangkok Metropolis which is behind the schedule on job delivery amounting Baht 9.65 million. The rest is set in accordance with the policy on setting the allowance for diminution in value of service amounting of the Company.

Financial Position

Assets

As at 31 December 2007, the Company has total assets amounting of Baht 3,694.35 million consists of current assets amounting of Baht 2,878.17 million or 77.91% of total assets. The main of current assets consists of accounts receivable by 40.38% of the total assets including land, building, device and equipments and major right to levy benefits from the advertising on the Genius Traffic sign Board. The ratio of asset in 2007 has decreased from the year of 2006 which is 38.17% due to the inclining in the circulating assets and the cash withdrawal from the guaranteed bank account amounting Baht 63 million.

Quality of assets

Accounts receivable

As at 31 December 2007 and 2006, the Company has the outstanding of accounts receivable after eliminated the subsidiary balances amounting of Baht 1,491.64 million and Baht 438.61 million or increase 240.08 % due to the manufacturing orders by the Westin Digital (Thailand) Co. Ltd. Who is the new customer with high amount of transaction. The time of debt levy of the company has declined from 59.13 in days in 2006 to 92.13 days in 2007 due to the job delivery to the TOT PCL. at the end of 2005 has not been paid yet because of problems on the checking and receiving process of the TOT PCL.

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:

Unit: Baht million

| Accounts receivable | Consolidated | |
|---------------------------------------|------------------|-----------------|
| | 31 December 2006 | 31 December 200 |
| Not vet due | 232.16 | 1,012.05 |
| Past due | | |
| Less than 1 month | 120.05 | 309.38 |
| 1 – 3 months | 73.51 | 64.77 |
| 3 – 12 months | 13.15 | 81.69 |
| Over 12 months | 7.83 | 38.92 |
| Total | 446.70 | 1,506.81 |
| Less: Allowance for doubtful accounts | 8.09 | 15.17 |
| Trade accounts receivable - net | 438.61 | 1,491.64 |

As at 31 December 2007 and 2006, the Company has allowance for doubtful accounts amounting of Baht 15.17 million and 8.09 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 2007 |
| Raw materials | 104.30 | 210.62 |
| Work in process | 262.61 | 359.05 |
| Finished goods | 338.56 | 297.62 |
| Goods in transit | - | 10.46 |
| Total | 705.47 | 877.75 |
| Less: allowance for diminution in value of inventories | 61.06 | 85.45 |
| Inventories, net | 644.41 | 792.30 |

As at 31 December 2007 and 2006, the Company has inventory amounting of Baht 792.30 million and Baht 644.41 million or increasing 22.95% because the growth of sale. Most of the inventories are the raw material in the preparation for the manufacturing for the Westin Digital (Thailand) Co. Ltd.

In 2007, the Company has set up allowance for diminution in value of inventories increase amounting of Baht 24.39 million or up 39.94 % due to the increase of the allowance for diminution in value of service amounting during the operating of the project to develop and install the software of the ERP, the CSS and the Billing System for the Electricity Authority of Bangkok Metropolis which is behind the schedule amounting Baht 9.65 million and the rest is set in accordance with the policy on setting the allowance for diminution in value of inventories of the company.

Fixed assets

The Company's fixed assets consist of property, plant and equipment. As on December 31, 2007 and 2006, there is amounting of Baht 607.23 million and Baht 551.61 million or increasing 10.08% because the Company has acquired machinery amounting of Baht 73.97 million to increase more modern technology production and the productivity. Besides, the company has purchased more of land property of Baht 24.50 million for a car park of the Company.

Sources of fund

Liabilities

As at 31 December 2007 and 2006, the Company has total liabilities amounting of Baht 2,501.80 million and Baht 1,110.13 million or increasing 125.36% since the transacting credit has increased to Baht 1,024.56 million from the purchase of raw material for the Westin Digital (Thailand) PLC and has advanced account and short term loan up to Baht 413.99 million for the circulation capital.

Shareholders' equity

As at 31 December 2007 and 2006, the Company has shareholders' equity amounting of Baht 1,192.55 million and Baht 1,129.44 million or increasing 5.59 % which is the increased gross profit. Besides, in April of 2007 the Company had paid the dividends from the operation amounting Baht 96.00 million and in September of 2007 we have also paid some dividends from the gross profit and some from the business operation of the year 2007 amounting Baht 52.80 million. Moreover, the subsidiary companies has transferred some of the gross profit for reserved capital due to the law.

Capital Propriety

In 2007, the Company's debt to equity ratio decrease to be 2.10 from 2.67 of 2006 since the Company has higher numbers of transaction creditors and we have paid the dividends in mid year which cause the higher debt to equity ratio.

Liquidity

Cash Flows

In 2007, net cash flow from operating activities amounting Baht 205.29 million which has decreased from Baht 153.35 million in 2006. The major cause of the change of the Cash Flow of the Company is the rapid growth of the Company resulting in high number of transaction creditors in according to the higher sales value which are to be billed and there are higher inventory due to the amount of sales.

In 2007, net cash flow from investing activities amounting Baht (158.70) million increase from Baht (151.85) million in 2006. The main reason is the increasing of property, plant and equipment acquisition.

In 2007, net cash flow from financing activities amounting Baht 321.60 million decreases from Baht 304.73 million in 2006 due to the short term loan made by the Company for the capital circulation of Baht 413.99 million. Moreover, the Company has received the return of guaranteed credit cash of Baht 63.12 million. Apart from that, the Company had paid the dividend to the shareholders amounting Baht 148.80 million.

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Liquidity Ratios

When considering the Company's current ratio, we can look that current ratio increase from 1.30 in 2007 to be 0.80 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 | 1,010,000.00 |
| 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 | 100,000.00 |
| Total audit fee | | | 2,100,000.00 |

Factors affecting the operating or the future financial status

1. Profitability

Since the industry of manufacturing and assembling of print electronic circuit Boards has been affected by the move of the production base due to the need of cheaper location or the slow down of ordering from the customer in this line of business. The company has realized about the effect of the problems and thus, has tried to seek for new customers and develop new products under our brand to disperse the risk of the business operation such as designing new PBX and Access Node with new online information center, the electronic traffic light control system, electronic sign Boards, electronic meter etc. which enable the company to attract more new customers with the more variety of products.

2. Quality of Assets

2.1 Transaction Creditors

The creditor of our business on manufacturing and distributing telecommunication and electronic equipments are general retail customer whose credit backgrounds are not clear to the Company. Thus, this may cause the risk for the clearance of debts of these creditors and results in the reserve circulation in case of the loss on debt clearance which can affect the operating result of the company. However, due to the Capital Reserve policy of the Company, we will consider the ability of debt clearance of the creditors. Most of our permanent customers are good entrepreneurs who have good relationship and long time transaction with the company, thus the company as well as its subsidiaries have lower risk on debt clearance of the customers. Besides, we also have a policy to check the bills in according to the time frame by the performance of our experienced staff who knows about the customers' details. However, when the company has problems on the billing, we can have a law office to act for the debt clearing and suing the creditor who has not cleared the debt to the company.

2.2 Inventory products

The company has been storing products for a long time resulting in the high setting of the decreased inventory value which are mostly of the ready made products from the business with their own brand and the business on distributing of electronic parts. Having realized about the effect of the problems mentioned before, the Company has the inventory section list up the inventory of the slow circulation for the sales representatives to encourage more sales on those inventory products. In case of no market requires these products, the Company consequently needs to destroy them.

2.3 Loss from the exchange rate

Since the Company and the ES has imported raw materials of electronic parts for the manufacturing and distributing of which the payment will be made in the US dollar and Japanese Yen while the selling income is in the Baht currency. This may cause some risk to the Company from the fluctuation of the exchange rate. Thus, on ordering the raw material, the Company will make a reserve and fix the price of raw materials in advance and monitor closely the movement of the relating currency for the production capital management. Currently, the company has a capital sum for the Forward Contract with the financial institute to use when there is a currency fluctuation.

2.4 Liquidity

The Liquidity of the Company is quite low due to its loan structure. Most of the loans are of short term, some of which have been used in the long term asset investment e.g. buildings, furniture. However, in 2003 the Company has started the long term loan instead of the short term one for the investment on the long term assets.

2.5 The uncertainty of the future income

Since the company has developed and increased new business line for dispersing the risk of the business operating e.g. the business of manufacturing and distributing the LED display, electronic meters etc. At the moment the business has been completely developed and on the way of marketing which may affect the future revenue of the Company if the distributing of the products can not reach the goal. However, the Company has started the business on selling the LED display with the government work place as well as integration the LED display with the traffic sign business. Besides, we also have distributed the electronic meters to the market of households and dormitories.

Future Projects

1. 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 300,000 up to 1,000,000 units per month. The Company has purchased and imported additional equipment that will expand the factory by four additional production lines in March and November 2007. The required investment in connection with the expansion is 80 Million Baht for machinery and 15 million Baht on factory construction. Working Capital 300 million Baht has been set aside for the purchase of raw materials and gross sales will be 320 million Baht per month.

In 2008, the Company has anticipated for starting to manufacture the hard disk Control Circuit at the average of 1,200,000 circuits per month.

2. 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 the Company anticipated to install more of 80,000 ports.

3. 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 Company has got a turnkey project as well as installation of the Access Node from the TOT. PCL. in 11 Euh Arthorn Housing Projects amounting Baht 32.56 million. Besides, the the Company has also win the bid of one project from the TOT to install telephone of 165,000 numbers amounting Baht 849.98 million. We anticipated that in 2008 the TOT PCL will expand the network up to 1,000,000 numbers and the Company may win the bid amounting not less than Baht 500 million.

4. 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.

5. 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 31 December 2007, the Company has outstanding purchase orders and delivery amount 44.51 million Baht.

6. 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 2008, more than 80 million Baht will be received from orders and delivery.

7. 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.

8. Project to increase of effectiveness for intersections under the title of the “Smart Intersection”

Apart from the ATC system that can properly control in network layout, the GTS has also invented a control system for an individual intersection which can match well with the sub urban and municipal areas all over the country. This is the system to add more efficiency to the intersection by installing a detecting device for the load of the roads from different sides and calculating the time of switching traffic lights responding the load in the Real-Time. Thus, this enhances the highest effective transportation through intersections.

9. Project to increase of effectiveness for Traffic Lights Maintenance

The system to add more effectiveness for the traffic Light Maintenance is a project which has been researched by the GTS to support the policy of the Bangkok Metropolitan Administration to urgently repair the traffic lights which are out of order by adding more checking devices for the traffic light system. When the problems are detected, the system will inform to the Control Center for the immediate action to fix the problems.

10. Project to research and manufacture the LED Back light for vehicles

The company has been trusted by the Sammitr Motor Limited Company to design and manufacture the LED Back Light for the pick up trucks with the starting order of 200 sets per month, thus, this enables the Company to take a step in the vehicle industry. We aim to expand our product distributing to other types of vehicles in the future.

11. Project on researching and manufacturing the high voltage LED lamp and electronic Ballast equipment

Currently the lighting Lighting equipment on roads, factories, stadium and sport play ground etc. are mostly of old fashioned which are high power consumed with only 1 year lasting. Thus GTS has developed new lighting equipment that uses the LED technology to last up to 10 years of utilizing which enhances a lot of decrease of maintenance cost. Apart from decreasing cost on the maintenance, it also increases more convenience and safety for the drivers due to the traffic problems while they are under maintenance. Moreover, the Electronic Ballast equipment for high voltage lighting e.g. 250 or 400 Watt, which can save energy up to 25% while gaining the same lighting, responds to the world concern to reduce the energy consumption due to the global heat which can be viewed as the complete circle of research and developing of products.

12. Project on researching and developing the LED lighting for decoration

Apart from the purpose of lighting, currently the decorating lighting in building and places for the elegant and good image is also very popular. Thus, the Company has conducted the research and development on the LED decorating Lighting equipment which does not only enhance the energy saving but also equipped with the interesting display with a big variety of graphics to fit the occasion and locations.

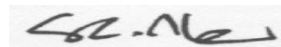
Report of Independent Auditor

To the 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 2007 and 2006, 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 management of the Company and its subsidiaries 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 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 2007 and 2006, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.



Supachai Phanyawattano
Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited
Bangkok: 28 February 2008

FORTH CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2007 AND 2006

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | | 2007 | 2006 | 2007 | 2006 |
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | | 36,145,831 | 78,530,314 | 19,157,912 | 67,319,620 |
| Trade accounts receivable - related parties | 5 | 32,005,940 | 17,445,705 | 328,861,021 | 212,035,369 |
| Trade accounts receivable - net | 6 | 1,491,638,777 | 438,608,437 | 1,136,854,012 | 265,196,754 |
| Short-term loan to subsidiary | 5 | - | - | 93,585,118 | 54,608,240 |
| Inventories - net | 7 | 792,303,589 | 644,412,383 | 587,528,429 | 440,455,408 |
| Unbilled receivables | | 362,788,140 | 149,558,296 | 206,902,152 | 63,387,675 |
| Other current assets | | 163,287,217 | 56,064,338 | 140,380,349 | 40,767,968 |
| TOTAL CURRENT ASSETS | | 2,878,169,494 | 1,384,619,473 | 2,513,268,993 | 1,143,771,034 |
| NON-CURRENT ASSETS | | | | | |
| Restricted bank deposits | 8 | 8,667,545 | 71,872,598 | 3,439,575 | 69,919,628 |
| Investments in subsidiaries | 9 | - | - | 78,242,100 | 73,342,100 |
| Investments in associates | 10 | 5,837,268 | 4,509,324 | 11,259,324 | 4,509,324 |
| Property, plant and equipment - net | 11 | 607,234,463 | 551,605,613 | 560,212,826 | 495,798,877 |
| Right to derive benefit from the traffic boards - net | 12 | 188,102,186 | 214,657,789 | - | - |
| Leasehold right - net | | 993,409 | 7,099,545 | 993,409 | 6,999,545 |
| Other non-current assets | | 5,348,035 | 5,200,497 | 3,056,522 | 2,856,522 |
| TOTAL NON-CURRENT ASSETS | | 816,182,906 | 854,945,366 | 657,203,756 | 653,425,996 |
| TOTAL ASSETS | | 3,694,352,400 | 2,239,564,839 | 3,170,472,749 | 1,797,197,030 |

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 2007 AND 2006

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|----------------------|-------------------------------|--------------------|
| | | 2007 | 2006 | 2007 | 2006 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| Bank overdrafts and short-term loans from | | | | | |
| financial institutions | 13 | 1,054,721,439 | 640,729,787 | 907,057,360 | 467,886,916 |
| Trade accounts payable - related parties | 5 | 37,674 | 1,053,974 | 45,219,729 | 27,926,781 |
| Trade accounts payable | | 1,337,397,054 | 312,747,347 | 1,211,357,999 | 229,133,167 |
| Current portion for long-term loans | 14 | 6,792,000 | 6,792,000 | 6,792,000 | 6,792,000 |
| Deferred income | 12 | 418,667 | 10,833,333 | - | - |
| Other current liabilities | | | | | |
| Corporate income tax payable | | 15,933,407 | 45,893,428 | 3,826,595 | 28,616,940 |
| Accrued expenses | | 19,474,127 | 24,681,775 | 10,579,457 | 14,131,251 |
| Others | | 29,628,057 | 23,204,534 | 17,323,122 | 12,862,810 |
| TOTAL CURRENT LIABILITIES | | 2,464,402,425 | 1,065,936,178 | 2,202,156,262 | 787,349,865 |
| NON-CURRENT LIABILITIES | | | | | |
| Long-term loans, net of current portion | 14 | 37,401,625 | 44,193,625 | 37,401,625 | 44,193,625 |
| TOTAL NON-CURRENT LIABILITIES | | 37,401,625 | 44,193,625 | 37,401,625 | 44,193,625 |
| TOTAL LIABILITIES | | 2,501,804,050 | 1,110,129,803 | 2,239,557,887 | 831,543,490 |

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 2007 AND 2006

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | | 2007 | 2006 | 2007 | 2006 |
| SHAREHOLDERS' EQUITY | | | | | |
| Share capital | | | | | |
| Registered | | | | | |
| 515,000,000 ordinary shares of Baht 1 each | 15 | 515,000,000 | 515,000,000 | 515,000,000 | 515,000,000 |
| Issued and fully paid up | | | | | |
| 480,000,000 ordinary shares of Baht 1 each | | 480,000,000 | 480,000,000 | 480,000,000 | 480,000,000 |
| Share premium | | 362,557,877 | 362,557,877 | 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 | 18,381,737 | 11,750,030 | 17,453,096 | 11,750,030 |
| Unappropriated | | 290,717,565 | 234,235,958 | 70,903,889 | 111,345,633 |
| TOTAL SHAREHOLDERS' EQUITY | | 1,192,548,350 | 1,129,435,036 | 930,914,862 | 965,653,540 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 3,694,352,400 | 2,239,564,839 | 3,170,472,749 | 1,797,197,030 |
| | | - | - | - | - |

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

FORTH CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | | 2007 | 2006 | 2007 | 2006 |
| REVENUES | | | | | |
| Sales | | 3,188,009,702 | 1,789,229,900 | 2,502,979,968 | 1,231,419,399 |
| Services | | 304,133,076 | 381,181,190 | 266,862,318 | 264,855,800 |
| Revenues from project construction | | 421,208,281 | 270,648,791 | 143,514,478 | 105,537,675 |
| Other income | | | | | |
| Dividend income | | - | - | 34,999,880 | - |
| Gain on exchange | | 11,771,122 | 15,377,546 | 7,092,919 | 8,009,813 |
| Others | | 15,850,408 | 24,171,737 | 21,626,644 | 30,962,917 |
| TOTAL REVENUES | | 3,940,972,589 | 2,480,609,164 | 2,977,076,207 | 1,640,785,604 |
| EXPENSES | | | | | |
| Cost of sales | | 2,717,261,125 | 1,395,371,223 | 2,313,778,365 | 985,137,823 |
| Cost of services | | 173,665,875 | 166,286,666 | 141,111,722 | 146,264,913 |
| Cost of project construction | | 342,800,200 | 218,475,611 | 131,480,452 | 98,963,789 |
| Selling and administrative expenses | | 388,832,815 | 346,236,966 | 213,028,985 | 201,396,637 |
| Provision for impairment of investments in associates | | - | - | - | 4,979,683 |
| Share of loss from investments in associates | | 5,422,057 | 4,979,683 | - | - |
| TOTAL EXPENSES | | 3,627,982,072 | 2,131,350,149 | 2,799,399,524 | 1,436,742,845 |
| INCOME BEFORE INTEREST EXPENSES AND | | | | | |
| CORPORATE INCOME TAX | | 312,990,517 | 349,259,015 | 177,676,683 | 204,042,759 |
| INTEREST EXPENSES | | (45,832,686) | (45,641,625) | (36,658,449) | (36,227,718) |
| CORPORATE INCOME TAX | 18 | (55,244,517) | (90,134,776) | (26,956,912) | (51,340,476) |
| NET INCOME FOR THE YEAR | | 211,913,314 | 213,482,614 | 114,061,322 | 116,474,565 |
| BASIC EARNINGS PER SHARE | | | | | |
| Net income | 20 | 0.44 | 0.51 | 0.24 | 0.28 |
| Weighted average number of ordinary shares (Shares) | | 480,000,000 | 417,485,753 | 480,000,000 | 417,485,753 |

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 2007 AND 2006

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|---------------|-------------------------------|-------------|
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| Cash flows from operating activities | | | | |
| Net income for the year | 211,913,314 | 213,482,614 | 114,061,322 | 116,474,565 |
| Adjustments to reconcile net income to net cash provided by (paid from) operating activities :- | | | | |
| Depreciation | 99,806,714 | 85,230,569 | 85,108,091 | 72,004,537 |
| Allowance for diminution in value of inventories (reversal) | 24,388,519 | 5,501,226 | 14,599,701 | (3,345,488) |
| Allowance for doubtful accounts (reversal) | 7,078,175 | (638,046) | 2,388,300 | (205,585) |
| Amortisation for leasehold right and others | 2,676,789 | 2,552,942 | 831,136 | 630,455 |
| Unrealised gain on exchange | (1,472,766) | (2,883,968) | (1,281,598) | (2,355,741) |
| Loss on sales of property, plant and equipment | 67,374 | 371,126 | 146,963 | 248,886 |
| Provision for impairment of investments in associates | - | - | - | 4,979,683 |
| Share of loss from investments in associates | 5,422,057 | 4,979,683 | - | - |
| Bad debts | 161,686 | 856,559 | - | - |
| Loss from shortage and damage stock | 1,542,322 | - | - | - |
| Amortisation for intangible assets | 26,555,603 | 20,206,924 | - | - |
| Realised from deferred income | (10,833,333) | (119,166,667) | - | - |
| Dividend income from subsidiaries | - | - | (34,999,880) | - |
| Income for operating activities before changes in operating assets and liabilities | 367,306,454 | 210,492,962 | 180,854,035 | 188,431,312 |

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

FORTH CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CASH FLOWS STATEMENTS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|----------------------|-------------------------------|----------------------|
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| Operating assets (increase) decrease:- | | | | |
| Trade accounts receivable - related parties | (14,560,235) | (16,003,774) | (116,825,652) | (77,207,759) |
| Trade accounts receivable | (1,060,270,301) | (112,936,162) | (874,045,658) | (68,096,820) |
| Inventories | (172,201,910) | (109,797,723) | (161,672,722) | (87,234,363) |
| Unbilled receivable | (213,229,844) | (122,046,294) | (143,514,478) | (63,387,675) |
| Other current assets | (108,972,263) | (16,107,386) | (99,612,381) | (19,941,896) |
| Corporate income tax receivable | - | 7,973,069 | - | 7,973,069 |
| Other non-current assets | (147,538) | (1,590,750) | (200,000) | (603,032) |
| Operating liabilities increase (decrease):- | | | | |
| Trade accounts payable-related parties | (1,016,299) | (1,220,196) | 17,292,948 | (18,641,130) |
| Trade accounts payable | 1,026,122,575 | (59,850,260) | 983,506,532 | (77,117,697) |
| Accrued expenses | (5,207,649) | (8,193,944) | (3,551,795) | (10,230,265) |
| Corporate income tax payable | (29,960,022) | 30,138,725 | (24,790,346) | 24,543,612 |
| Deferred income | 418,666 | 65,000,000 | - | - |
| Other current liabilities | 6,427,253 | (19,207,062) | 4,460,312 | (20,562,426) |
| Net cash flows used in operating activities | <u>(205,291,113)</u> | <u>(153,348,795)</u> | <u>(238,099,205)</u> | <u>(222,075,070)</u> |
| Cash flows from investing activities | | | | |
| Proceeds from sales of property, plant and equipment | 732,050 | 575,309 | 645,134 | 575,309 |
| Acquisition of property, plant and equipment | (151,735,125) | (124,606,104) | (144,194,136) | (109,109,632) |
| Increase in right to derive benefit from the traffic boards | - | (26,967,021) | - | - |
| Cash received from dividend of subsidiaries | - | - | 34,999,880 | - |
| Increase in short-term loan to subsidiary | - | - | (38,976,877) | (8,413,651) |
| Increase in investments in subsidiaries | - | - | (4,900,000) | (11,950,000) |
| Increase in investments in associates | (6,750,000) | - | (6,750,000) | - |
| Increase in leasehold right | (945,000) | (850,000) | (945,000) | (850,000) |
| Net cash flows used in investing activities | <u>(158,698,075)</u> | <u>(151,847,816)</u> | <u>(160,120,999)</u> | <u>(129,747,974)</u> |

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

FORTH CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CASH FLOWS STATEMENTS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|--------------|-------------------------------|--------------|
| | 2007 | 2006 | 2007 | 2006 |
| Cash flows from financing activities | | | | |
| Decrease (increase) in restricted bank deposits | 63,205,053 | (36,957,648) | 66,480,053 | (36,919,628) |
| Increase (decrease) in bank overdrafts and short-term loans | | | | |
| from financial institutions | 413,991,652 | (77,190,117) | 439,170,443 | (35,417,733) |
| Repayment of long-term loans | (6,792,000) | (6,697,263) | (6,792,000) | (6,697,263) |
| Dividend paid | (148,800,000) | (30,888,000) | (148,800,000) | (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 | 321,604,705 | 304,724,849 | 350,058,496 | 346,535,253 |
| Net decrease in cash and cash equivalents | (42,384,483) | (471,762) | (48,161,708) | (5,287,791) |
| Cash and cash equivalents at beginning of year | 78,530,314 | 79,002,076 | 67,319,620 | 72,607,411 |
| Cash and cash equivalents at end of year | 36,145,831 | 78,530,314 | 19,157,912 | 67,319,620 |
| | - | - | - | - |
| Supplemental cash flows information :- | | | | |
| Cash paid during the year for | | | | |
| Interest expenses | 43,637,076 | 45,696,797 | 34,428,386 | 36,242,426 |
| Corporate income tax | 86,902,120 | 63,766,442 | 52,753,556 | 26,796,864 |
| Transferred leasehold right to be a part of land | 6,120,000 | - | 6,120,000 | - |

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
 FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006
 (Unit: Baht)

Consolidated financial statements

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

| | Issued and fully paid-up share capital | Share premium | companies at the acquisition date | Retained earnings | | Total |
|---------------------------------------|---|------------------|--------------------------------------|-----------------------------------|----------------|---------------|
| | | | | Appropriated Statutory reserve | Unappropriated | |
| 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 |
| Dividend paid (Note 23) | - | - | - | - | (148,800,000) | (148,800,000) |
| Transferred to statutory reserve | - | - | - | 6,631,707 | (6,631,707) | - |
| Net income for the year | - | - | - | - | 211,913,314 | 211,913,314 |
| Balance as at 31 December 2007 | 480,000,000 | 362,557,877 | 40,891,171 | 18,381,737 | 290,717,565 | 1,192,548,350 |

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 2007 AND 2006
 (Unit: Baht)

| | Separate financial statements | | | | Total |
|---------------------------------------|---|--------------------|-----------------------------------|--------------------|--------------------|
| | Issued and fully paid-up share capital | Share premium | Retained earnings | | |
| | | | Appropriated Statutory reserve | Unappropriated | |
| Balance as at 31 December 2005 | 386,100,000 | - | 5,926,302 | 31,582,796 | 423,609,098 |
| 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 | - | - | - | 116,474,565 | 116,474,565 |
| Balance as at 31 December 2006 | 480,000,000 | 362,557,877 | 11,750,030 | 111,345,633 | 965,653,540 |
| Dividend paid (Note 23) | - | - | - | (148,800,000) | (148,800,000) |
| Transferred to statutory reserve | - | - | 5,703,066 | (5,703,066) | - |
| Net income for the year | - | - | - | 114,061,322 | 114,061,322 |
| Balance as at 31 December 2007 | 480,000,000 | 362,557,877 | 17,453,096 | 70,903,889 | 930,914,862 |

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)

| | Note | Consolidated | | The Company Only | |
|--|------|----------------------|----------------------|----------------------|----------------------|
| | | 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 | | <u>1,065,936,178</u> | <u>1,258,646,140</u> | <u>787,349,865</u> | <u>927,231,916</u> |
| NON - CURRENT LIABILITIES | | | | | |
| Long-term loans, net of current portion | 14 | <u>44,193,625</u> | <u>50,890,888</u> | <u>44,193,625</u> | <u>50,890,888</u> |
| TOTAL NON - CURRENT LIABILITIES | | <u>44,193,625</u> | <u>50,890,888</u> | <u>44,193,625</u> | <u>50,890,888</u> |
| TOTAL LIABILITIES | | <u>1,110,129,803</u> | <u>1,309,537,028</u> | <u>831,543,490</u> | <u>978,122,804</u> |
| 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 | <u>515,000,000</u> | <u>482,700,000</u> | <u>515,000,000</u> | <u>482,700,000</u> |
| 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 | | <u>1,129,435,036</u> | <u>490,382,545</u> | <u>965,653,540</u> | <u>423,609,098</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | <u>2,239,564,839</u> | <u>1,799,919,573</u> | <u>1,797,197,030</u> | <u>1,401,731,902</u> |
| | | - | - | - | - |

FORTH CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

| | Note | Consolidated | | The Company Only | |
|---|------|----------------------|----------------------|----------------------|----------------------|
| | | 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.

| | Issued and fully paid-up share capital | Share premium | Call in arrears | swapping shares of subsidiary companies at a price lower than the net book value of the subsidiary 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 | | | | | |
| | Issued and fully paid-up share capital | Share premium | Call in arrears | Retained earnings of subsidiary companies at the acquisition date | Retained earnings | |
| | | | | Appropriated | Unappropriated | |
| | | | | Statutory reserve | | |
| 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 |

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

FORTH CORPORATION PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

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 electronic parts and its registered address is No. 226/12, 13 and 16 Phaholyothin Road, Samsennai, Phayathai, Bangkok.

2. BASIS OF PREPARATION

2.1 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.

2.2 Basis of consolidation

a) These consolidated financial statements include the financial statements of Forth Corporation Public Company Limited and its subsidiaries as detailed below:-

| Company's name | Nature of business | Percentage of shareholdings | | Country of incorporation | 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 | |
|---------------------------------|---|-----------------------------|---------|--------------------------|---|---------|--|---------|
| | | 2007 | 2006 | | 2007 | 2006 | 2007 | 2006 |
| | | Percent | Percent | | Percent | Percent | Percent | Percent |
| Electronics Source Co., Ltd. | Trading of electronic parts | 100 | 100 | Thailand | 8 | 14 | 14 | 24 |
| Genius Traffic System Co., Ltd. | Sale and installation of light boards and traffic systems | 100 | 100 | Thailand | 14 | 10 | 16 | 10 |
| Joint Venture Genius | Concession for traffic board project | 100 | 100 | Thailand | 6 | 11 | 1 | 5 |

- b) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- c) Investments in the subsidiary companies as recorded in the Company's books of account are eliminated against the equity of the subsidiary companies.
- d) The excess of book value of net assets acquired in subsidiary companies 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".
- e) Together with certain contract partners, a subsidiary has 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. These joint ventures are operated in the manner of operations under joint control and 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 installation of traffic lights | 10 | Completely installed |
| Joint Venture Genius Traffic and Service Intercall Company Limited | Sale and installation of traffic lights | 20 | Completely installed |
| Joint Venture Genius Traffic - Service Intercall | Sale and installation of traffic lights | 20 | Completely installed |
| Joint Venture Expert engineering & Communication Co., Ltd. and Genius Traffic System Co., Ltd. | Sale and installment variable message sign | 10 | Completely installed |

The proportional interests of the subsidiary in the assets, liabilities and the operations of the joint ventures have been recognised in their financial statements and included in the consolidated financial statements.

- 2.3 The separate financial statements, which present investments in subsidiaries and associates presented under the cost method, have been prepared solely for the benefit of the public.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The notifications mandate the use of the following new Accounting Standards.

a) Thai Accounting Standards which are effective for the current year

| | |
|-----------------------|---|
| TAS 44 (revised 2007) | Consolidated Financial Statements and Separate Financial Statements |
| TAS 45 (revised 2007) | Investments in Associates |
| TAS 46 (revised 2007) | Interests in Joint Ventures |

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the fourth quarter of year 2006, the Company changed its accounting policy for recording investments in subsidiaries, jointly controlled entities and associates in the separate financial statements from the equity method to cost method in order to comply with the revised Thai Accounting Standards No. 44, 45 and 46.

b) Thai Accounting Standards which are not effective for the current year

| | |
|-----------------------|---|
| TAS 25 (revised 2007) | Cash Flow Statements |
| TAS 29 (revised 2007) | Leases |
| TAS 31 (revised 2007) | Inventories |
| TAS 33 (revised 2007) | Borrowing Costs |
| TAS 35 (revised 2007) | Presentation of Financial Statements |
| TAS 39 (revised 2007) | Accounting Policies, Changes in Accounting Estimates and Errors |
| TAS 41 (revised 2007) | Interim Financial Reporting |
| TAS 43 (revised 2007) | Business Combinations |
| TAS 49 (revised 2007) | Construction Contracts |
| TAS 51 | Intangible Assets |

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these revised accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Revenues recognition

Sales of goods

Sales of goods are recognised 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 recognised when services have been rendered taking into account stage of completion.

Revenues from project construction

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

4.2 Cost of project construction/ Expenses

Costs of project construction are recognised 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 recognised on an accrual basis.

4.3 Cash and cash equivalents

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

4.4 Trade accounts receivable

Trade accounts receivable are stated at the net realisable 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.

4.5 Inventories

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

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

4.6 Investments

- a) Investment in associates are accounted for in the consolidated financial statements using the equity method.
- b) Investments in subsidiaries and associates are accounted for in the separate financial statements using the cost method.
- c) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).

4.7 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.

4.8 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 traffic boards | 9 years |
|---|---------|

The amortisation is included in determining income.

4.9 Related party transactions

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

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

4.10 Foreign currencies

Foreign currency transactions are translated 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 translated into Baht at the exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

4.11 Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

4.12 Employee benefits

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

4.13 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.14 Income tax

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

4.15 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.

5. RELATED PARTY TRANSACTIONS

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

| | | (Unit: Million Baht) | | | |
|--|--------------------------|---------------------------------|-------------|----------------------|-------------|
| | | For the years ended 31 December | | | |
| | | Consolidated | | Separate | |
| Pricing policy | | financial statements | | financial statements | |
| | | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| <u>Transactions with subsidiary companies</u> | | | | | |
| (Eliminated in consolidated financial statements) | | | | | |
| Purchases of raw materials | Compared to market price | - | - | 70.6 | 69.8 |
| Sales of goods | Compared to market price | - | - | 200.2 | 113.3 |
| Service income | Compared to market price | - | - | 2.2 | 4.1 |
| Management fee | Contract price | - | - | 0.5 | 0.4 |
| Interest income | Interest at 6% per annum | - | - | 3.1 | 2.9 |
| Rental income | Contract price | - | - | 5.1 | 4.9 |
| <u>Transactions with related companies</u> | | | | | |
| Purchases of raw materials | Compared to market price | 12.8 | 20.3 | 12.8 | 20.2 |
| Sales of goods | Compared to market price | 21.1 | 21.2 | 20.6 | 19.2 |
| Rental income | Contract price | 0.7 | 0.7 | 0.7 | 0.7 |
| <u>Transactions with director and related individual</u> | | | | | |
| Rental expenses | Contract price | 1.0 | 1.1 | 0.6 | 0.5 |

The balances of the accounts as at 31 December 2007 and 2006 between the Company and those related companies are as follows:

| | | (Unit: Baht) | | | |
|---|---------------------|----------------------|-------------------|----------------------|--------------------|
| | | Consolidated | | Separate | |
| | | financial statements | | financial statements | |
| | Relationship | 2007 | 2006 | 2007 | 2006 |
| <u>Trade accounts receivable - related parties</u> | | | | | |
| Electronics Source Co., Ltd. | Subsidiary | - | - | 364,918 | 1,624,420 |
| Genius Traffic System Co., Ltd. | Subsidiary | - | - | 298,866,564 | 190,167,676 |
| Joint Venture Genius | Subsidiary | - | - | 68,430 | 2,810,405 |
| Genius Electronic Meter Co., Ltd. | Associated company | 12,316,863 | 6,889,954 | 12,308,508 | 6,881,418 |
| Forth Tracking System Co., Ltd. | Associated company | 16,929,101 | 9,947,632 | 16,927,999 | 9,947,632 |
| Genius Electronic Transformer Co., Ltd. | Formerly had common | | | | |
| | Shareholders | 324,602 | 573,219 | 324,602 | 568,918 |
| Others | Related party | 2,435,374 | 34,900 | - | 34,900 |
| Total | | 32,005,940 | 17,445,705 | 328,861,021 | 212,035,369 |
| <u>Short-term loan to subsidiary</u> | | | | | |
| Genius Traffic System Co., Ltd. | Subsidiary | - | - | 93,585,118 | 54,608,240 |
| <u>Trade accounts payable - related parties</u> | | | | | |
| Electronics Source Co., Ltd. | Subsidiary | - | - | 42,496,440 | 26,594,860 |
| Genius Traffic System Co., Ltd. | Subsidiary | - | - | 2,685,615 | 277,947 |
| Genius Electronic Meter Co., Ltd. | Associated company | 37,674 | 1,030,434 | 37,674 | 1,030,434 |
| Forth Tracking System Co., Ltd. | Associated company | - | 23,540 | - | 23,540 |
| Total | | 37,674 | 1,053,974 | 45,219,729 | 27,926,781 |

During 2007, movements of loans to related parties were as follow:

| | | | | (Unit: Baht) |
|--|----------------|-----------------|--------------|------------------|
| | Balance | During the year | | Balance |
| | as at | | | as at |
| | 1 January 2007 | Increase | Decrease | 31 December 2007 |
| <u>Loans to related parties</u> | | | | |
| Subsidiary | | | | |
| Genius Traffic System Co., Ltd. | 54,608,240 | 50,256,943 | (11,280,065) | 93,585,118 |

Directors and management's remuneration

In 2007 the Company and its subsidiaries paid salaries, meeting allowances and gratuities to their directors and management totaling Baht 28.7 million (The Company only: Baht 19.3 million) (2006: Baht 27.2 million, The Company only: Baht 18.2 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.

6. TRADE ACCOUNTS RECEIVABLE

The outstanding balances of trade accounts receivable as at 31 December 2007 and 2006 are aged, based on due date, as follows:

| | Consolidated financial statements | | Separate financial statements | |
|------------------------------------|-----------------------------------|--------------------|-------------------------------|--------------------|
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| Not yet due | 1,012,052,141 | 232,161,396 | 829,033,589 | 151,669,688 |
| Past due | | | | |
| Less than 1 month | 309,377,070 | 120,051,509 | 208,513,493 | 68,506,853 |
| 1 - 3 months | 64,774,616 | 73,510,481 | 37,005,997 | 40,655,047 |
| 3 - 12 months | 81,688,879 | 13,146,058 | 37,076,333 | 3,141,940 |
| Over 12 months | 38,917,690 | 7,832,437 | 31,439,855 | 5,050,181 |
| Total | 1,506,810,396 | 446,701,881 | 1,143,069,267 | 269,023,709 |
| Less: Allowance for doubtful debts | (15,171,619) | (8,093,444) | (6,215,255) | (3,826,955) |
| Trade accounts receivable, net | <u>1,491,638,777</u> | <u>438,608,437</u> | <u>1,136,854,012</u> | <u>265,196,754</u> |

7. INVENTORIES

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|--------------------|-------------------------------|--------------------|
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| Raw materials | 210,623,589 | 104,296,948 | 181,423,059 | 89,701,679 |
| Work in process | 359,050,649 | 262,607,615 | 333,095,257 | 237,020,934 |
| Finished goods | 297,619,302 | 338,564,521 | 116,676,085 | 153,254,335 |
| Goods in transit | 10,455,269 | - | 10,455,269 | - |
| Total | 877,748,809 | 705,469,084 | 641,649,670 | 479,976,948 |
| Less: Allowance for diminution in value of inventories | (85,445,220) | (61,056,701) | (54,121,241) | (39,521,540) |
| Inventories, net | <u>792,303,589</u> | <u>644,412,383</u> | <u>587,528,429</u> | <u>440,455,408</u> |

8. 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.

9. INVESTMENTS IN SUBSIDIARIES

(Unit: Baht)

| Company's name | Separate financial statements | | | | | | | |
|--|-------------------------------|------|-----------------|--------|-----------------|------------|--------------------------------|------|
| | Shareholdings | | Paid up capital | | | | Dividend received for the year | |
| | percentage | | 2007 | | 2006 | | ended 31 December | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | (%) | (%) | (Thousand Baht) | | (Thousand Baht) | | | |
| Electronics Source Co., Ltd. | 100 | 100 | 50,000 | 50,000 | 54,975,800 | 54,975,800 | 9,999,880 | - |
| Genius Traffic System Co., Ltd. | 100 | 100 | 10,000 | 10,000 | 10,056,300 | 10,056,300 | 25,000,000 | - |
| Joint Venture Genius (20% held by the Company and 80% held by its subsidiary) | 100 | 100 | 66,050 | 41,550 | 13,210,000 | 8,310,000 | - | - |
| Total investments in subsidiaries | | | | | 78,242,100 | 73,342,100 | 34,999,880 | - |

10. INVESTMENTS IN ASSOCIATES

10.1 Details of associates:

(Unit: Baht)

| Company's name (Nature of business) | Country of incorporation | Consolidated financial statements | | | | | |
|--|-----------------------------|-----------------------------------|------|------------|------------|---------------------------|-----------|
| | | Shareholding | | Cost | | Carrying amounts based on | |
| | | percentage | | | | equity method | |
| | | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | | (%) | (%) | | | | |
| Genius Electronic Meter Co., Ltd. (Trading of electronic parts) | Thailand | 45 | 45 | 18,000,000 | 11,250,000 | 5,837,268 | 4,509,324 |
| Forth Tracking System Co., Ltd. (Trading of electronic parts) | Thailand | 34 | 34 | 3,400,000 | 3,400,000 | - | - |
| Total | | | | 21,400,000 | 14,650,000 | 5,837,268 | 4,509,324 |

(Unit: Baht)

| Company's name (Nature of business) | Country of incorporation | Shareholding percentage | Separate financial statements | | | | | | | |
|--|-----------------------------|----------------------------|-------------------------------|------------|------------|--------------|-----------------------------|------------|---------------------------|------|
| | | | | | Cost | | Provision for impairment of | | Carrying amounts based on | |
| | | | | | | | investments | | cost method - net | |
| | | | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | | (%) | (%) | | | | | | | |
| Genius Electronic Meter Co., Ltd. (Trading of electronic parts) | Thailand | 45 | 45 | 18,000,000 | 11,250,000 | (6,740,676) | (6,740,676) | 11,259,324 | 4,509,324 | |
| Forth Tracking System Co., Ltd. (Trading of electronic parts) | Thailand | 34 | 34 | 3,400,000 | 3,400,000 | (3,400,000) | (3,400,000) | - | - | |
| Total | | | | 21,400,000 | 14,650,000 | (10,140,676) | (10,140,676) | 11,259,324 | 4,509,324 | |

(Unit: Baht)

| Company's name | Consolidated financial statements | | Separate financial statements | |
|-----------------------------------|---|-----------|--------------------------------------|------|
| | Share of loss from investments in associates during the year | | Dividend received during the year | |
| | 2007 | 2006 | 2007 | 2006 |
| Genius Electronic Meter Co., Ltd. | 5,422,057 | 2,681,343 | - | - |
| Forth Tracking System Co., Ltd. | - | 2,298,340 | - | - |
| Total | 5,422,057 | 4,979,683 | - | - |

10.2 Summarised financial information of associates

(Unit: Million Baht)

| Company's name | Paid-up capital as | | Total assets as | | Total liabilities as | | Total revenues | | Net income (loss) | |
|-----------------------------------|--------------------|------|-----------------|------|----------------------|------|--------------------|------|--------------------|------|
| | at 31 December | | at 31 December | | at 31 December | | for the year ended | | for the year ended | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Genius Electronic Meter Co., Ltd. | 40 | 25 | 33 | 29 | 20 | 21 | 14 | 12 | (10) | (8) |
| Forth Tracking System Co., Ltd. | 10 | 10 | 27 | 16 | 29 | 17 | 38 | 17 | 0.4 | (8) |

10.3 The Company recognised share of losses from investment in an associated company, as listed below, until the value of the investment reached zero. Subsequent losses incurred by that associate have not been recognised in the Company's accounts since the Company has no obligations, whether legal or constructive, to make any payments on behalf of that associate. The amount of such unrecognised share of losses is set out below.

(Unit: Million Baht)

| Company's name | Unrecognised share of losses | |
|----------------|---|---|
| | Share of losses for the year ended 31 December 2007 | Cumulative share of losses up to 31 December 2007 |
| | Forth Tracking System Co., Ltd. | - |

11. PROPERTY, PLANT AND EQUIPMENT

(Unit: Baht)

Consolidated financial statements

| | Land | Building | Machinery | Tools and equipment | Office equipment | Motor vehicles | Building under construction | Prototype in progress | Total |
|--|-------------|-------------|-------------|------------------------|---------------------|-------------------|-----------------------------------|--------------------------|---------------|
| Cost | | | | | | | | | |
| 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 |
| Additions | 24,501,960 | 1,942,280 | 73,965,057 | 23,582,456 | 9,040,853 | 2,628,318 | 16,074,201 | - | 151,735,125 |
| Disposals | - | - | (7,076,260) | (57,091) | (604,384) | (409,636) | - | - | (8,147,371) |
| Transferred in/(Transferred out) | 6,120,000 | - | 3,359,603 | 1,305,397 | - | - | - | (6,285,138) | 4,499,862 |
| 31 December 2007 | 194,295,460 | 192,720,773 | 548,679,241 | 100,174,097 | 83,774,446 | 59,877,401 | 18,131,068 | 1,047,524 | 1,198,700,010 |
| Accumulated depreciation | | | | | | | | | |
| 31 December 2006 | - | 41,272,686 | 340,199,992 | 39,073,529 | 47,883,106 | 30,577,468 | - | - | 499,006,781 |
| Depreciation for the year | - | 11,393,833 | 59,206,264 | 12,413,681 | 8,527,119 | 8,265,817 | - | - | 99,806,714 |
| Depreciation on disposals | - | - | (6,379,509) | (33,533) | (525,271) | (409,635) | - | - | (7,347,948) |
| 31 December 2007 | - | 52,666,519 | 393,026,747 | 51,453,677 | 55,884,954 | 38,433,650 | - | - | 591,465,547 |
| Net book value | | | | | | | | | |
| 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 |
| 31 December 2007 | 194,295,460 | 140,054,254 | 155,652,494 | 48,720,420 | 27,889,494 | 21,443,751 | 18,131,068 | 1,047,524 | 607,234,463 |
| Depreciation charges for the years as included in the income statements | | | | | | | | | |
| 2006 | | | | | | | | | 85,230,569 |
| 2007 | | | | | | | | | 99,806,714 |

(Unit: Baht)

| | Separate financial statements | | | | | | | Total |
|--|-------------------------------|-------------|-------------|---------------------|------------------|----------------|-----------------------------|---------------|
| | Land | Building | Machinery | Tools and equipment | Office equipment | Motor vehicles | Building under construction | |
| Cost | | | | | | | | |
| 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 |
| Additions | 24,501,960 | 1,431,150 | 72,317,822 | 23,534,074 | 6,479,196 | - | 15,929,934 | 144,194,136 |
| Disposals | - | - | (7,076,261) | (57,091) | (542,484) | - | - | (7,675,836) |
| Transferred in/(Transferred out) | 6,120,000 | - | (1,305,397) | 1,305,397 | - | - | - | 6,120,000 |
| 31 December 2007 | 194,295,460 | 188,140,703 | 522,953,267 | 78,235,931 | 59,130,696 | 39,745,919 | 16,868,434 | 1,099,370,410 |
| Accumulated depreciation | | | | | | | | |
| 31 December 2006 | - | 40,557,396 | 332,337,842 | 35,075,431 | 32,887,041 | 20,075,523 | - | 460,933,233 |
| Depreciation for the year | - | 10,503,586 | 54,560,101 | 8,705,306 | 5,693,409 | 5,645,689 | - | 85,108,091 |
| Depreciation on disposals | - | - | (6,379,510) | (33,533) | (470,697) | - | - | (6,883,740) |
| 31 December 2007 | - | 51,060,982 | 380,518,433 | 43,747,204 | 38,109,753 | 25,721,212 | - | 539,157,584 |
| Net book value | | | | | | | | |
| 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 |
| 31 December 2007 | 194,295,460 | 137,079,721 | 142,434,834 | 34,488,727 | 21,020,943 | 14,024,707 | 16,868,434 | 560,212,826 |
| Depreciation charges for the years as included in the income statements | | | | | | | | |
| 2006 | | | | | | | | 72,004,537 |
| 2007 | | | | | | | | 85,108,091 |

As at 31 December 2007, certain plant and equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 316 million (The Company only: Baht 300 million).

The Company and its subsidiaries have mortgaged land with structures thereon with a total net book value as at 31 December 2007, Baht 314 million as collateral for short-term and long-term credit facilities granted by commercial banks.

12. RIGHT TO DERIVE BENEFIT FROM THE TRAFFIC BOARDS

| | (Unit: Baht) | |
|--|-----------------------------------|--------------|
| | Consolidated financial statements | |
| | 2007 | 2006 |
| Balance - beginning of year | 214,657,789 | 207,897,691 |
| Additions | - | 26,967,022 |
| Amortisations | (26,555,603) | (20,206,924) |
| Balance - end of year | 188,102,186 | 214,657,789 |
| Amortisation expenses included in the income statements for the year | 26,555,603 | 20,206,924 |

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 term of the agreement, and is to transfer ownership of the relevant assets and equipment to the BMA. The joint venture 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 a period 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 a period of 3 years each time. The joint venture will receive annual compensation from the contractor as stipulated in the agreement. However, both parties may request cancellation of the agreement by submitting a notice in accordance with the procedures stipulated under the agreement. Subsequently during the 2007, a contractor has terminated such agreement.

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

(Unit: Baht)

| | Interest rate (percent per annum) | Consolidated financial statements | | Separate financial statements | |
|---|--------------------------------------|-----------------------------------|--------------------|-------------------------------|--------------------|
| | | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| | | Bank overdrafts | MOR, Spread+1.25% | 19,621,487 | 20,348,787 |
| Short-term loans from financial institutions | MLR-1,2% | 974,781,000 | 620,381,000 | 839,781,000 | 455,381,000 |
| Trust receipt | MLR-2% | 60,318,952 | - | 60,318,952 | - |
| Total | | <u>1,054,721,439</u> | <u>640,729,787</u> | <u>907,057,360</u> | <u>467,886,916</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 230 million, are guaranteed by the pledge of bank deposits amounting to Baht 9 million and the transfer of collection rights for project work amounting to Baht 169 million.

14. LONG-TERM LOANS

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|-------------------|-------------------------------|-------------------|
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| Long-term loans | 44,193,625 | 50,985,625 | 44,193,625 | 50,985,625 |
| Less: current portion of long-term loans | (6,792,000) | (6,792,000) | (6,792,000) | (6,792,000) |
| Long-term loans - net | <u>37,401,625</u> | <u>44,193,625</u> | <u>37,401,625</u> | <u>44,193,625</u> |

The Company entered into a loan agreement with a local bank to obtain a loan facility of Baht 61 million for use in the acquisition of assets. Interest is charged on the loans at rate ranging from 4.5 percent to MLR per annum and the loan is to be repaid in monthly installments over a period of 108 months. This credit facility is secured by the mortgage of land and construction thereon with a net book values amounting to Baht 84 million.

15. SHARE CAPITAL

On 10 January 2006, Extraordinary general Meeting No. 1/2549 of the 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. From 28 to 30 August 2006, the Company issued 93.9 million shares at a price of Baht 5 per share through their initial public offering, receiving cash proceeds amounting to Baht 469.5 million and incurring directly related expenses 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. NUMBER OF EMPLOYEES AND RELATED COSTS

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|-------------|-------------------------------|-------------|
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| Number of employees at end of year (persons) | 1,441 | 1,264 | 1,167 | 1,011 |
| Employee costs for the year (Million Baht) | 296.5 | 257.8 | 210.5 | 180.9 |

18. CORPORATE INCOME TAX

Corporate income tax of the Company and its subsidiaries were calculated on income from the operations 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 certificates 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 an exemption from import value added tax and import duty on raw materials imported for use in 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 certificates 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 operations for a period of 8 years.

(Unit: Baht)

| | Consolidated financial statements | | | | | |
|-----------------------|-----------------------------------|-------------|-------------------------|---------------|---------------|---------------|
| | Promoted operations | | Non-promoted operations | | Total | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| REVENUES | | | | | | |
| Sales | 293,114,874 | 78,692,488 | 2,894,894,828 | 1,710,537,412 | 3,188,009,702 | 1,789,229,900 |
| Services | - | - | 304,133,076 | 381,181,190 | 304,133,076 | 381,181,190 |
| Revenues from project | | | | | | |
| construction | 41,729,752 | 48,606,836 | 379,478,529 | 222,041,955 | 421,208,281 | 270,648,791 |
| Other income | 8,584 | - | 27,612,946 | 39,549,283 | 27,621,530 | 39,549,283 |
| TOTAL REVENUES | 334,853,210 | 127,299,324 | 3,606,119,379 | 2,353,309,840 | 3,940,972,589 | 2,480,609,164 |

(Unit: Baht)

| | Separate financial statements | | | | | |
|-----------------------|-------------------------------|------------|-------------------------|---------------|---------------|---------------|
| | Promoted operations | | Non-promoted operations | | Total | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| REVENUES | | | | | | |
| Sales | 11,281,730 | 68,392,180 | 2,491,698,238 | 1,163,027,219 | 2,502,979,968 | 1,231,419,399 |
| Services | - | - | 266,862,318 | 264,855,800 | 266,862,318 | 264,855,800 |
| Revenues from project | | | | | | |
| construction | - | - | 143,514,478 | 105,537,675 | 143,514,478 | 105,537,675 |
| Other income | - | - | 63,719,443 | 38,972,730 | 63,719,443 | 38,972,730 |
| TOTAL REVENUES | 11,281,730 | 68,392,180 | 2,965,794,477 | 1,572,393,424 | 2,977,076,207 | 1,640,785,604 |

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 2007 and 2006 of the Company and its subsidiaries by segment.

(Unit: Million Baht)

| Consolidated financial statements for the years ended 31 December | | | | | | | | | | | | |
|---|---------------------|----------------|---------------------|--------------|-------------------|--------------|----------------------|--------------|----------------|----------------|----------------|----------------|
| | Production and sale | | Turn key production | | Assembly services | | Project construction | | Eliminated | | Total | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Revenues from external customers | 1,214.9 | 1,186.0 | 1,973.2 | 603.3 | 304.1 | 381.2 | 421.2 | 270.6 | - | - | 3,913.4 | 2,441.1 |
| Intersegment revenues | 72.0 | 86.4 | 200.2 | 113.2 | 2.2 | 4.1 | - | 4.2 | (274.4) | (207.9) | - | - |
| Total revenues | <u>1,286.9</u> | <u>1,272.4</u> | <u>2,173.4</u> | <u>716.5</u> | <u>306.3</u> | <u>385.3</u> | <u>421.2</u> | <u>274.8</u> | <u>(274.4)</u> | <u>(207.9)</u> | <u>3,913.4</u> | <u>2,441.1</u> |
| Segment income | <u>424.4</u> | <u>329.3</u> | <u>46.4</u> | <u>64.6</u> | <u>130.5</u> | <u>214.9</u> | <u>78.4</u> | <u>52.2</u> | - | - | <u>679.6</u> | <u>661.0</u> |
| Unallocated income and expenses: | | | | | | | | | | | | |
| Other income | | | | | | | | | | | 27.7 | 39.4 |
| Selling and administrative expenses | | | | | | | | | | | (388.9) | (346.2) |
| Share of loss from investment in associated companies | | | | | | | | | | | (5.4) | (5.0) |
| Interest expenses | | | | | | | | | | | (45.8) | (45.6) |
| Corporate income tax | | | | | | | | | | | (55.2) | (90.1) |
| Net income | | | | | | | | | | | <u>211.9</u> | <u>213.5</u> |
| Other information: | | | | | | | | | | | | |
| Property, plant and equipment | | | | | | | | | | | 607.2 | 551.6 |
| Unallocated assets | | | | | | | | | | | 3,087.2 | 1,688.0 |
| Total assets | | | | | | | | | | | <u>3,694.4</u> | <u>2,239.6</u> |

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

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 contribute to the fund monthly at rates 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 2007, the Company contributed Baht 2.2 million (2006: Baht 1.7 million) to the fund.

23. DIVIDENDS

| (Unit: Baht) | | | |
|----------------------------|---|------------------------|---------------------------|
| <u>Dividends</u> | <u>Approved by</u> | <u>Total dividends</u> | <u>Dividend per share</u> |
| Final dividends for 2005 | Annual General Meeting of the shareholders on 27 April 2006 | 30,888,000 | 0.08 |
| Final dividends for 2006 | Annual General Meeting of the shareholders on 28 March 2007 | 96,000,000 | 0.20 |
| Interim dividends for 2007 | Board of Directors' meeting on 10 August 2007 | 52,800,000 | 0.11 |
| | | <u>148,800,000</u> | <u>0.31</u> |

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 2007 are as follows:

| | <u>Million Baht</u> |
|------------------|---------------------|
| Payable within : | |
| 1 year | 7.0 |
| 2 to 5 years | 5.5 |

24.2 Guarantees

- (a) The Company has guaranteed bank credit facilities of its subsidiaries amounting to Baht 170 million.
- (b) As at 31 December 2007, there were outstanding bank guarantees amounting to approximately Baht 210.0 million issued by banks on behalf of the Company and its subsidiaries (2006: Baht 189.7 million), with Baht 175.3 million of this on behalf of the Company only (2006: Baht 167.6 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 are 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 receivables. 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 are exposed to interest rate risk primarily with respect to 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 similar 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 Notes 13 and 14 to the financial statements)

Foreign currency risk

The Company and its subsidiaries' exposure 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 they consider it appropriate. Generally, the forward contracts mature within one year.

The balances of financial liabilities denominated in foreign currencies as at 31 December 2007 are summarised below.

| Foreign currency | Financial liabilities | Average exchange rate as at 31 December 2007 |
|------------------|-----------------------|---|
| | (Million) | (Baht per 1 foreign currency unit) |
| US dollar | 6.7 | 33.88 |
| Hong Kong dollar | 0.5 | 4.36 |
| Japanese yen | 80.9 | 0.29 |

Forward exchange contracts outstanding at 31 December 2007 are summarised below.

| Foreign currency | Bought amount | Contractual exchange rate-Bought |
|------------------|---------------|------------------------------------|
| | (Million) | (Baht per 1 foreign currency unit) |
| US dollar | 4.8 | 33.72 - 34.14 |

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 at rates that approximate the current market rates for 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 28 February 2008, a meeting of the Board of Directors proposed, for consideration by the Annual General Meeting of the Shareholders to be held in April 2008, payment of annual dividend to the shareholders in respect of retained earnings and the 2007 earnings of Baht 0.14 per share, or a total of Baht 67.2 million.

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

27. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's authorised director on 28 February 2008.