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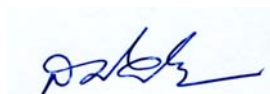
## BOARD OF DIRECTORS' REPORT ON FINANCIAL STATEMENT

This Board of Directors' Report is based on Forth's consolidated financial statements and associated companies, prepared in accordance with GAAP. The application of reasonable but subjective judgments, estimates and assumptions to accounting policies and procedures affects the reported amounts of each account items. the Board of Directors then managed to provide reviewing of the financial data and sufficient information in the Notes to the Financial Statements and the Explanation and Analysis Report for the interest of the shareowners and investors who seek access into the financial statements

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the group annual financial statements and provide only reasonable assurance against material misstatement or loss.

For this respect, the Board has appointed an Audit Committee, consisting of independent members and non-executive members according to the qualification stated in law, to directly oversee the quality of the financial statements and internal control process. The Committee's comments have already been shown in the Report of the Audit Committee in this annual report

According to the above-mentioned administrative structure and the audit results of the certified public accountant, the Board is confident that the company's financial statements as of December 31, 2008, have shown an essentially accurate picture of its financial status, performance and cash flow statements according to the generally accepted accounting principles



(Mr. Sanit Vorapanya )  
Chairman Board of Director



(Mr.Pongchai Amatanont)  
Board of Director

## Audit Committee Report

The Audit Committee, nominated by the Board of Committee, is comprised of 3 independent Directors. Audit committees are typically conducted to their responsibility with expertise deemed necessary to perform their role. In 2008, the audit committee chairpersons arranged four interim meeting and all members audit committee have completely attended to 4/4 meeting with key members of management, external auditors, and compliance to issue opinion on related agenda that can be summarized as follow:

1. Monitored 2008 quarterly and annual financial reporting with the external auditors, then passing reviewed financial reports to board of director to certify that audited consolidated financial statements are justified with accounting policies and principles and ensure the sufficiency of material information disclosure.

2. Reviewed the internal audit programmed, the annual assessment, and recommendation from the internal audit on appropriate action taken on internal audit functions. Then, recommend to the Board the acceptance of the internal control improvement and the progress of action plan to ensure that ensuring that auditing implements is efficient with considering on the effectiveness of the company's risk management,

3. Monitored to ensure that the company is abided by rules and regulations promulgated by the Securities and Exchange Commission ("SEC") or related laws or government agency.

4. To review, approve, and ensure the disclosure of in any proposed related party transactions and any potential conflict of interest.

5. Review the independent auditor's attestation and report management on the appointment and remuneration of auditor.

6. To conduct an annual self-assessment on 2008 auditing performance and the result is satisfied. The results of a self-assessment were disclosed to board of committee.

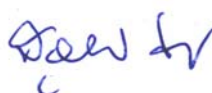
Overall, the company's financial reports and financial transactions are correct and fully complied with the appropriate accounting policy approved by the Audit Committee as well as proper disclosure of connected transactions. In addition, the internal control system, internal audit and compliance were abided by the applicable laws, relevant requirements and regulations, and sufficient compliance with the good corporate governance, with transparency and reliability.

For the company's financial statement reports as of 2008, Audit committee suggested Ernst & Young accountants as auditors of Forth. Ernst & Young continues to serve as company external auditor consecutive from last yea as Ernst & Young is one of the nation's most prominent accounting firms with a widely accepted auditing standard. The auditor appointment would be contained in approving agenda on 2009/1 annual general meeting (AGM) that will be arrange in April 2009.



( Mr. Sanit Vorapanya)

Chairman of the Audit Committee



(Mr.Sutham Malila)

Audit Committee



(Ms. Nongram Laohaareedilok)

Audit Committee

## Financial Highlights

	2008	%Change	2007	%Change	2006
<b>PROFIT AND LOSS (Million Baht)</b>					
• Revenue from Sales	6,313	98%	3,188	78%	1,789
• Revenue from Services	146	-52%	304	-20%	381
• Revenue from Projects	1,011	140%	421	56%	271
• Total Revenue	7,481	90%	3,941	59%	2,481
• Cost of Goods Sold	7,443	106%	3,618	70%	2,131
• EBITDA	38	-88%	323	-8%	349
• Net Profit/Loss	-78	-137%	212	-1%	213
• Net Profit/Loss (Normalized after deduct Extra-Ordinary Items)	250	13%	222	4%	213
<b>BALANCE SHEET (Million Baht)</b>					
• Property, Plant, and Equipments	618	2%	605	10%	552
• Total Asset	4,219	14%	3,694	65%	2,240
• Total Liability	3,171	27%	2,502	125%	1,110
• Total Owner's Equity	1,048	-12%	1,193	6%	1,129
<b>FINANCIAL RATIOS</b>					
Outstanding shares (Million shares) **	960	0%	960	0%	960
• Par Value (Baht)	1.09	-12%	1.24	6%	1.18
• Earning per shares (Baht)	-0.1	-137%	0.2	-1%	0.2
• Net Profit/Loss Margin	-1.0%	-119%	5.4%	-38%	8.6%
• Normalized Profit/Loss Margin (After deduct Extra-Ordinary items)	3.3%	-41%	5.6%	-35%	8.6%
• Return on Equity (%)***	23.9%	28%	18.6%	-2%	18.9%
• Return on Asset (%) ***	5.9%	-1%	6.0%	-37%	9.5%
• EBITDA To Total Asset (%)	4%		10%		16%
• D/E Ratio	3.0		2.1		1.0

\*Net Profit/Loss (Normalized after deduct Extra-Ordinary items) = Net Profit/Loss - Provision Loss from ERP project - Impairment of Genius Billboard

\*\* Number of shares after stock split and adjusted par value from 1 Baht to 0.5 Baht per share

\*\*Return in numerator was calculated based on normalized after deduct Extra-Ordinary items

## Company Profile

- Name of Company : FORTH CORPORATION PUBLIC COMPANY LIMITED
- Registered Number : 0107574800471
- Nature of main Business :
  - Manufacture and distribute telecommunication equipments and electronic equipments under "FORTH" individual brand
  - Manufacture and assemble telecommunication equipment and electronic equipment under customers' brand.
  - Develop, manufacture, and install traffic light system and the traffic light controller equipment
  - Manufacture and distribute electronic sign board
  - Collect benefits from advertisements on smart traffic sign board
  - Develop and implement information management system
  - Distribute raw water to industry sector and for producing tap water
  - Produce Mobile top-up machine, and on-line payment
- 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. 226/12,13, 16 Phaholyothin Road, Samsemmmai, Phayathai, Bangkok 10400
  - Branch 5. 280, 282, 284 Phaholyothin Road, Samsemmmai, Phayathai, Bangkok 10400
  - Branch 6. 226/10-11 Phaholyothin Road, Samsemmmai, Phayathai, Bangkok 10400
  - Branch 7. 226/25 Phaholyothin Road, Samsemmmai, Phayathai, Bangkok 10400
  - Branch 8. 1031/3-4 Phaholyothin Road, Samsemmmai, Phayathai, Bangkok 10400
- Telephone No. : 0-2615-0600
- FAX No. : 0-2615-0615
- Home Page : [www.forth.co.th](http://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. Narong Pantawong with Certified public accountant no. 3315 or
  - 2. Ms Tippawan Nananuwat with Certified public accountant no. 3459 or
  - 3. Ms. Siraporn Euhanankul with Certified public accountant no. 3844Ernst & 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) have operated, produced, and distributed telecommunication and electronic equipments under “FORTH” individual brand as well as supply and assemble telecommunication and electronic equipment under the customers’ brands. Current group of companies comprise subsidiaries companies, associated Companies, Joint Venture and Consortium as the followings:

#### Five Subsidiary Companies are:

- 1) Electronics Source Company limited (ES) is engaged in distribution of electronic parts.
- 2) Genius Traffic System Company limited (GTS) produces and installs traffic light system and electronic signs in turnkey projects.
- 3) Joint Venture Genius was granted the concession from the Bangkok Metropolitan Administration to set up and maintenance for 40 smart traffic signs boards and a traffic control center. In addition, Genius derives the benefit from the advertisement on the smart traffic signs boards in Bangkok.
- 4) Forth Smart Service (FSS) operates the top-up vending machines that top-ups cellular phone airtime and online service e.g. game, ring tones download. FSS also provide business management service and facilitate operating information to dealers.
- 5) Thai Industrial Water operates water pipeline well and provides raw water to counter party which would supply raw water to industrial sites and consumers in the area, including Provincial Waterworks Authority in upcountry.

#### Two Associated Companies are:

- 1) Genius Electronic Meter Company Limited (GEM) manufactures electronic meters and measuring instruments.
- 2) Forth Tracking System Company Limited manufactures vehicle tracking equipments includes mapping software, hardware, installation, and tracking service transmit via satellite.

#### Three Joint Ventures are :

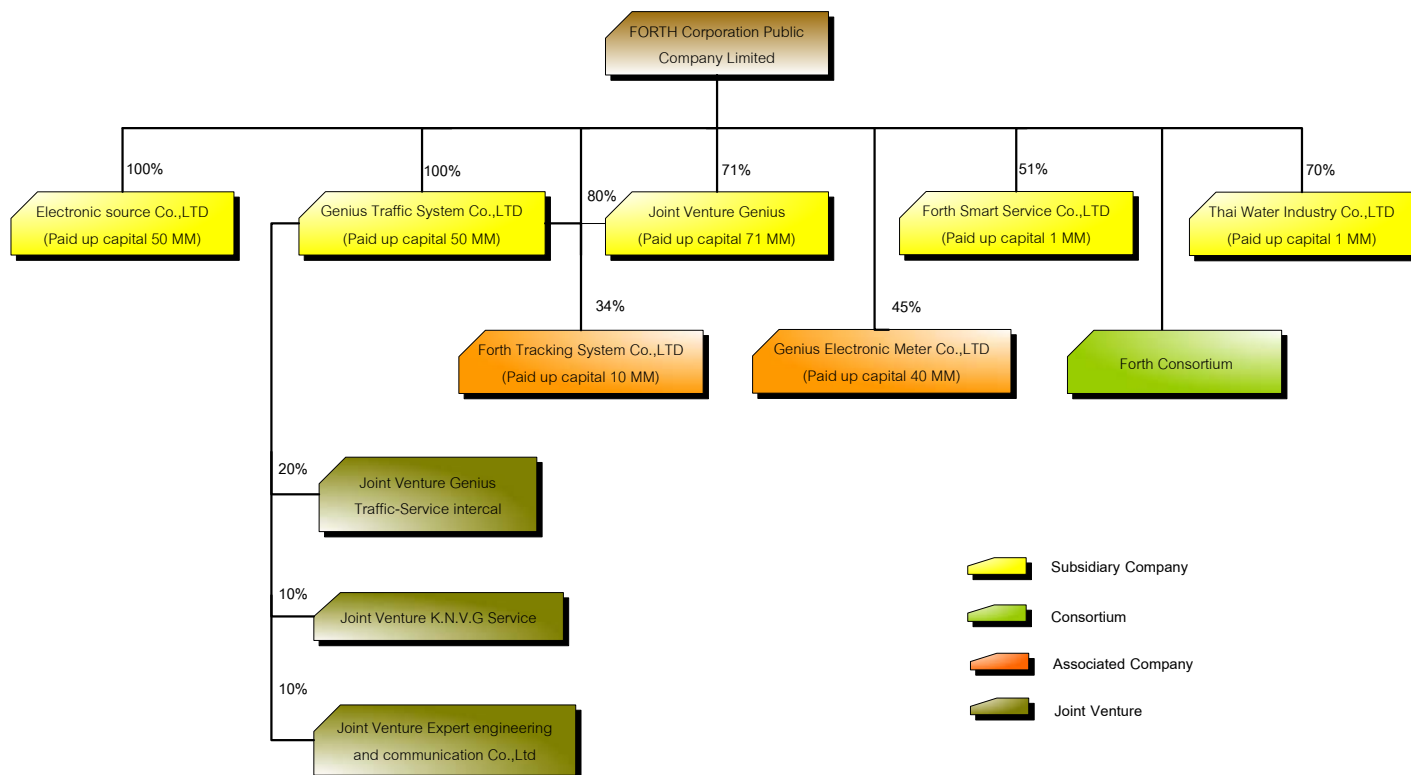
- 1) Joint Venture Genius Traffic – Service Intercall, offers installation and maintenance the traffic lights in the municipal area of Phuket.
- 2) Joint Venture KNVG Service offers installation and maintenance for SCATS traffic system for 7 intersections in the municipal area of Pitsanulok province.
- 3) Joint Venture Expert Engineering and Communication Limited Company and the Genius Traffic System Company Limited distribute and maintenance electric information boards in Had-Yai.

#### One Consortium

FORTH Consortium associated with TIS. Consultants Company Limited and Primelink Company Limited; both do not related to the Company. FORTH consortium has successfully completed a competitive-bid

auction for developing and licensing business software solutions on Enterprise Resourcing Planning (ERP), Customer Service System and Billing development module with Metropolitan Electricity Authority.

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



Groups of Forth Corporation evolved to become vertical business integration produced supporting product combination to satisfy a common need. The GTS, GEM and FTS take parts in R&D and market research in order to design and develop the prototype products model for Forth manufacturer to further electronic circuit boards operating process which the main raw materials provided by ES together with supporting from other related companies (FORTH, GTS, GEM, and FTS) in other material supplies.

Furthermore, Groups of Forth Corporation enlarged to related business diversification such as Joint Venture Genius, which produces and installs traffic light system and electronic signs in turnkey projects and derive the benefits from the advertising on Smart traffic signs Board based on Bangkok Metropolitan Administration agreement. The Joint Venture; Genius Traffic – Service intercall Co. Ltd. and Joint Venture KNVG operated the turnkey projects on traffic light systems installation. Besides, Forth Corporation Group also provides business software solutions operated under Forth Consortium.

In 2008, under stiff economic environment, Forth Corporation Group executive foresee the prospect growth in mobile top-up vending business, which is counter-cyclical against economic downturn. Therefore, Forth Smart Service has established with the aim of providing service on top-ups cellular phone airtime and online service e.g. game, ring tones. With coordination with Forth that would be a producer of vending machine, FSS has developed innovation on operating system call "KIOSK" which connected directly to one or more operators. Aside from airtime mobile top-up, machines can dispense game card credits, money transfer, ringtones, send text, advertise on screen in the future.

In addition, group of company expand new project on production, purchase, storage, treatment, and distribution of water for industrial and public sector and to produced tap water. In 2008, Thai industrial company has been formed to conduct on this project, started by investing in vacant land in Chonburi for ground water well construction. This project is expected to be completed by 2009 and ready for distribution in 2010.

#### **Forth Corporation Public Company Limited (the company or FORTH)**

FORTH is one of market leaders in the design, manufacturing, and marketing of telecommunication and electronic components and equipments under "FORTH" brand. The family of products includes power supply, telecom, and networking components, as well as broadband devices 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 has effective distribution channels including a direct sales force, more than 150 local distributors all over the country. Company target customers are business sectors, government agencies, corporations. Our existing customers include the Royal Thai Police Office, the Telephone Authority of Thailand, Vichaiyud Hospital, Bangkok Hospital, Shin Satellite Public Co. Ltd.

Besides, FORTH has also manufacture and assembly of telecommunication and electronic circuit boards under the customers' brand. Forth's circuits are fully applicable to electronic application such as computers, cell-phones, electric appliances, electronic meters, tracking devices, and in-vehicle fleet management via satellite. Procedures and processes quality lead to the development and implementation of ISO 9001: 2000 certification on the quality management from the SGS (Thailand) Limited System & Services Certification. The firm also gain fully supported from BOI on import duty tax benefit for sake of raw material imported to produce Printed Circuit Board Assembly (PCBA). The BOI also apply on Private Automatic Branch Exchange: PABX and Telephone Sets R&D. FORTH won The "Best Supply Performance 2005" for its outstanding production standard from both the Daikin Industry Limited, Japan and Pioneer Manufacturing (Thailand) Company Limited. The company customer base consists of market leader local firms and global company in electronic appliances such as Western Digital, Daikin, Pioneer, Hitachi, Sony and Mitsubishi. In 2009, ISO 14000 is being developed to help



companies put an emphasis on its environmental aspects throughout the entire production process and was expected to complete in April 2009. In addition, the company also provides software development and installation of Enterprise Resource Planning (ERP), Customer Service System (CCS) and Billing system under. Therefore, FORTH Consortium is formed to be successful on competitive bid with the Electricity Authority of Bangkok Metropolitan in order to contribute on software development project. For 2009 prospect, company plans to launch Top-up mobile service under Forth Smart Service branding and also implement on manufacturing water pipeline construction and water service under Thai water industry Co.,Ltd

#### **Electronics Source Company limited (ES)**

ES is a retailer and wholesaler of the electronic parts to the global leader manufacturers which mostly had production base in Thailand e.g. FUJITSU, ZARLINK, and MICROCHIP. In addition, ES is also a distributor of electronic parts for domestic appliance manufacturers. Besides, ES also supply raw materials internally to FORTH Group. ES electronic parts are mostly imported and distributed via direct sale staffs to factory customer base. Moreover, ES also has channel that conducts its retail operations under 2 head offices which using as both showroom and store format.

#### **Genius Traffic System Company Limited (GTS)**

The GTS conducts on R&D, produce, install, and distribute turnkey traffic control system including equipments and integrated solution software. It has completed the development of a full line of advanced traffic products e.g. traffic lighting products, traffic light controller, street outdoor lighting, and several indoor and outdoor LED lighting products. Moreover, the company provides Timer/Counter, Variable Message Signs (VMS), and programmable logic controller which certified by the Thai Industrial Standard Institute showing the prominent feature of products. GTS also received completely support from the Board of Investment (BOI) on the Prototype Design Program. With high experiences, GTS is able to meet customer requirements and had completed full installation of traffic light system on both Bangkok and upcountry area. The company mostly joined the government traffic light projects bidding all over the country. Our aspiration is to provide our clients with cost-effective products that are outstanding in quality and reliability. As good perception from customers and remarkable government customer reference, the company continues to grow in many areas e.g. manufacturing and distributing intelligent electric Sign Boards installation on 40 locations for the Bangkok Metropolitan under Genius Joint Venture

Since 2008, GTS expanded product lines to LED modules for car exterior lighting applications, Designed of Modularized Streetlight for Easy Transportation, Installation, and Maintenance, upgrade version of Ballard electronics. GTS designs and manufactures variety of the most advanced traffic control modules by adding some upgrade features which allow the network to handle higher traffic volumes at lower cost

such as interconnect hub control from separate area, trigger enhanced warning system to combat unexpected events, Inspect traffic for spam and fraud, allows operators to handle extremely large message volumes at fraction of the cost, a record of traffic density, automated traffic light signal, electronic warning signs. In 2009, the company has initiated a variety of business plans to keep on growing including

- Lighting installation for pedestrian traffic signals on intersection equipments (including the traffic signal controller and associated sensors and processing) in BKK area.
- Offering visual automated signs to display multi- line text messaging, graphics and logos with Expressway Authority of Thailand (EXAT)
- Yellow street sign and street lighting in BKK
- CCTV camera installation in intersection area
- Traffic light Controlling System on location by ATC
- E ticket system service for public transportation e.g. BTS, Minibus, BRT (Bus Rapid transit)

#### **Joint Venture Genius**

Joint Venture Genius is 71% held by Forth and 29% held by GTS, which had entered into Joint Venture agreement on January 21, 2005 to install and maintenance the Smart Traffic Signs Boards for 40 areas in BKK. After Joint Venture Genius obtained permitted right from Bangkok Metropolitan administration on the agreement, Genius completed installation in 26 May, 2005 and obtained the right to derive advertising collection benefit on the Smart Traffic Sign Boards. The duration of this contract was 3 years per time and renewable 3 year per times (with 2 time settlement) if Genius is able to comply with the condition and agreement term in contract. Since Genius has success in complying with Bangkok Metropolitan administration contract and able to satisfy customer requirements, therefore the counterparty has extended the contract for a further 3 years in December, 2008.

#### **Forth Smart Service (FSS)**

If considered the primary activities of companies in online service industry, the payment channel that entrepreneurs focus more is payment card offering credit enabling to pay bill, mobile phone, online entertainment and others. Payment cards incurred more production and transportation cost for entrepreneur. Although, cost reduction has been a common theme in many companies, existing technology is not enough effective to reach cost reduction goal for industry. Therefore, with cooperation with Forth company, FSS was established on 25 November 2008 with 1 million paid up capital. FSS is holding by Forth for 51% and another 49% holding by unrelated parties. The company objective is to provide service on top-ups cellular phone airtime and online service e.g. game, ring tones. The top up machines are manufactured by Forth while FSS would provide complete service on payment for the goods with refill smart card and cell phone. FSS has developed the advent of operating system called

“KIOSK” that will efficiently support currency acceptors in bank notes and coins received on each machine. After KIOSK retrieved an order from machine, the data would then transfer to FSS Servers that connected directly to operators e.g. AIS, DTAC, TRUE, 1-2 Call, CAT CDMA, and Hutch. KIOSK is an enhanced system that would support FSS to achieve market leader position in online payment industry.

With an agreement to dealers enables FSS to expand Service Hub's capacity to mobile top up vending machine marketplace throughout the country. Dealers has responsible for marketing strategy by location and provide feedback to improve service. Supporting by effective operating system (KIOSK) and dealer distribution would support FSS success in the market launching with new brand positioning on innovative high technology mobile top-up vending machine to offer complete service on payment for cell-phone users. This Service would completely satisfied customer need on dispense card payment.

#### **Thai Industrial Water Co.,LTD**

Thai Industrial Water Co.,LTD has registered on 4 December 2008 with 1 million paid up capital. The company is holding by Forth for 70% and another 30% holding by unrelated parties. The bulk of the company's business consists of the production, purchase, storage, treatment, and distribution of water for industrial and public sector, including supply raw water to East Water PCL, and use as raw material for producing tap water. In 2008, The company invested in Land located in Chonburi province for well site construction and maintenance site for keeping water. The company is currently in the process of production layout, capacity planning, and distribution plan. The parties would negotiate a framework agreement by setting out the minimum order quantity at 10 million M3 with 10 years contract period for supply and maintenance, which would reduce uncertainty from revenue source. The project tends to complete and then the water is expected to distribute in 2010.

#### **Forth Tracking System Company Limited (FTS)**

FTS is the associated company with 34% held by Forth and the other 66% held by unrelated party. FTS is engaged in R&D and distribution of Vehicle Tracking devices products to corporate customers and government agency: Transportation and logistic industry. The products would install in a vehicle to enable the owner or a third party to track the vehicle's location via satellite transmitters to communicate the vehicle's location to a remote user. Vehicle information can be viewed on electronic maps via the Internet or specialized software. Hard equipment is manufactured by Forth and FTS handle on soliciting customers and service process. During the early period, FTS entered in to competitive bid on government and state enterprise under name Forth. In 2003, the company won bidding from SME Bank on providing GPS accessory and tracking system to taxi-fleet owners under SME Bank agreement with total value of 148.5 million Baht. After successful performance, FTS was recognized by customer and

currently offer bidding under Forth Tracking System Company Limited entitle. In 2008, FTS achieved sale and distribution performance on plenty of large organizations e.g. Expressway Authority of Thailand (EXAT), Provincial Police Region in Prajeenburi and Pathumtanee, PTT Public co.,LTD, Shell (Thailand), KrungThai car rental co.,LTD.

FTS emphasized in consecutive R&D to improve customer satisfaction. In 2008, the firm developed real time vehicle tracking for fleet management and many solutions reports the vehicle's location, speed alerts, locate nearest vehicle, excessive off-hours usage, idling, fuel consumption, daily mileage, and temperature in vehicles. Based on advance in product quality, the company can continuously grow its customer bases to Thai CO., LTD, Siam City Cement co.,LTD, EXAT, etc. Distribution channel includes direct sale and external dealers with powerful marketing strategy. With a wide range of marketing activities such as road show seminar, Ads magazines, and also full exhibitions and tradeshow are effective tools on penetrating to clients. FTS received a Bus & Truck Supply Award for 3 years successive (2006-2008) for Best Product Development and best vehicle tracking operators. The 2009 plan will expand service to database management on mapping and public transportation system. FTS seeks to upgrade technology RMS (Remote Monitoring System) to enhance network surveyors for more responsive and effective multi-function device.

#### **Genius Electronic Meter Company Limited (GEM)**

GEM is the associated company with 45% held by Forth and the other 55% held by unrelated party. GEM specializes in R&D and trades on electronic meter range of products measurement in KWh. The equipment production is conducted by FORTH whereas GEM is carried out R&D and distribution process. Gem had obtained tax benefit from the Board of Investment (BOI) on Prototype Design Program and the products conform to IEC 62053-21 and IEC 62052-11, which is International Standards for all electrical, electronic and related technologies from Parkside Laboratory in New Zealand as well as IEC 17025 from KEMA Laboratory, Netherlands. Furthermore, GEM quality management system was confirmed to *comply* with the ISO 9001:2000 from MASCI.

GEM continued R&D development to increase product efficiency by conveying one-phase electronic meter with AMR (Automatic Meter Reading) reading to reduce peak loads and customer's monthly paper bill and helps utilities better manage the workload and human error in 2005. GEM target customers are Metropolitan Electricity Authority and Provincial Electricity Authority and a large organization or residence sector such as apartment, condominium. In 2006 GEM produced one-phase electronic meter with anti-tampering feature. In 2007, GEM provide one-phase electronic meter with RFID payment card to Provincial Electricity Authority and Metropolitan Electricity Authority. In 2008, GEM produced three-phase

AMR electronic meter, AMR water meter and provides three phase TOU by reaching agreement with leader global company to co brand to meet Metropolitan Electricity Authority requirement. GEM is expected to launch a single phase digital electronic meter in 2009 to expand low to medium target market.

#### **Joint Venture Genius Traffic – Service intercall**

Joint Venture Genius Traffic – Service intercall is registered in Trung province, held by GTS for 20% and the 80% held by unrelated parties. The company was established in order to execute traffic light System renovated and installation project in the Phuket municipal area. The project successfully completed in October 2005 with 2 more years for the maintenance. The company is still on-going due to prospect growth in traffic project.

In case of Joint Venture Genius Traffic and Service intercall, the company is held by Forth and GTS with 20:80 proportion in Trung province. The company was closed down since all the Traffic installation projected in Trung municipal area was completed in August 2005 and maintenance period ended in August 2007. The on-going prospect projects will operate under Joint Venture Genius Traffic – Service intercall.

#### **Joint Venture KNVG Service**

The Joint Venture KNVG Service is a partnership with GTS in proportion 90:10, operates as external distributor. The parties entered into Joint Venture agreement on March 10, 2005 to renovate and install the SCATS Traffic Light System on 7 intersections in the Pitsanulok municipal area. The project has completed in August 2005 and the maintenance period was due in August 2007. Currently, the firm is expanding the new areas for traffic installation in upcountry.

#### **Joint Venture Expert Engineering Communication**

The Joint Venture KNVG Service is a partnership with GTS in proportion 90:10, operates as external distributor for Electronic traffic light to HadYai municipal area. The parties entered into an agreement to install Electronic traffic light for Had Yai area within December 2006 along with 2 years maintenance that will come to an end in March 2009.

## Future and prospect Projects

### 1. Turnkey Projects with Western Digital Co. Ltd.

Since 2007, the company has manufactured Hard Disk control circuits for Western Digital (Thailand) Co. Ltd with increasing productivity every month average 1-2 million units per month. From production forecast, the company has anticipated that Western Digital (Thailand) order will be around 1-1.5 million units per month in first half, and will increase to 1.5-1.8 million units per month in second half. The company also plans to increase production on manufacturing and sale telecommunication equipment and electronic equipment under brand "FORTH" to reduce other counterparty and concentration customer risk.

### 2. Multi Service Access Node (MSAN), Mini MSAN Transmission, and Digital Subscriber Line Access Multiplexer (DSLAM)

From the successful in this project since 2008, DSLAM installation and MSAN project has continuously distributed as last year, the company sold IP-DSLAM to TOT Pcl, totally 250,000 ports with more than Baht 350 Million. Also, MSAN projects and ADSL high speed internet as well as telephone line network infrastructure both public and private for 1,200 ports with Baht 230 Million.

For year 2009, TOT Pcl, tend to expand future requirements for ADSL network for 1,000,000 ports with project value about Baht 3,000 Million, which the company expected to win competitive bid on this project for value not less than Baht 800 Million. In addition, the company plans to expand ADSL projects in amount Baht 1,000 Million. The company has provide MSAN project to customer continuously and the service has expand to fiber to home sand support for board brand TV network (IPTV) estimated value around Baht 2,000 Million in the next 1-2 year. The company also participates in competitive bid on DWDM installation project for TOT Pcl,that would support high speed internet in project amount Baht 4,000 Million.

### 3. 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 has continuously developed research, development e.g. new GPS model which enhance efficiency in AGPS signal transition, new temperature sensor that support temperature measurement in shipping trucks, GPRS Modem connected with modern equipment with supporting from strong R&D. Target customers of FTS is both private and public agency that has large fleet capacity particularly in transportation industry. In 2009, the company forecast an order and delivery for about Baht 80 Million.

#### **4. The Transportation System Management Project**

The company has developed program continuing from vehicle tracking by creating this set of project management tools and processes to innovate a new efficient software that support public transportation management which is responsive to Metropolitan public transportation, Thailand train station or Thailand transportation department. The system needs tracking vehicle to communicate information of each vehicle and there is equipment to connect which would place in vehicle. The data record will indicate present status of the vehicle to save energy, sensor that identify accelerate condition , the car driving behavior of driver, vehicle ECU, gear status as a warning sign that help in long term maintenance. Moreover, this equipment also helping in car temperature control to prevent driver bad behavior that would lead to high cost. The system also support LCD display to ensure driver behavior. All of this information would be retrieved and can be connect to any other system e.g. E-Ticket. All information is real time which would help in transportation time management leading to more efficient maintenance system.

#### **5. Automatic Traffic Control: ATC**

Automatic Traffic Control (ATC) is integrated electronic ticket supporting since automatic selling machine, automatic coin and bank receipting machine with checking bogus monetary system, counting machine that can be process information about passenger in each station that would help in efficiency enhancement, money collecting box which can separate coin and record the transaction while linking with payment box in real time to ensure correct payment and reduce human error. The company decides to work in this project because Thai transportation is currently in developing process and there will be a lot of projects in this year e.g. sky train extension, NGV bus, BRT. Company competitive advantages is that all products has been developed from Thai engineers that tend to understand Thai requirement that fit to local condition and has cheaper cost compare to import material.

#### **6. Energy saving on express way by Ballard electronic**

The energy-saving Ballard electronic has developed to replace old model that sparked by ignition engine. This will support 25% energy saving. This Ballard electronic could also dimming light by advance time set up. The benefit will be energy saving on express way for 45%. In addition, Ballard

electronic would stop working immediately when it broken while old model Ballard igniter would not cut the light led to wasting energy and expense. Currently, the company has offer Ballard electronic project to The Electricity Generating Authority of Thailand. The project has high possibility of success as Electricity Generating Authority of Thailand has come out 2009 policy to change all express way light to use Ballard electronic instead of the old model with more than 400,000 lights that would help in energy saving for more than Baht 500 Million per year.

#### **7. GPS and vehicle tracking system development with CCTV**

GPS and vehicle tracking system to report traffic condition by retrieving speed and density traffic data from CCTV on genius Bill board electronic. With supporting data from GPS, Forth tracking system Co,Ltd would process data that could display in easier understanding result for example green signal represent for traffic flow, yellow signal represent for high traffic but still flow, the red one means traffic jam location. Target customer of this product line is Navigator system provider that can connect traffic jam information with the navigator to inform user more on the most effective leeway to replace the old system that ignore the traffic condition. The most update report indicate that there are more than 250,000 navigator users and tend to increase continuously.

#### **8. Project on 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. In 2009, the company plan to penetrate new decorating market of municipal province particularly in traveling place.

#### **9. 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 that assist to process and control traffic light automatically in each period for individual intersections by install detector to catch up traffic flow and then process the data retrieved to calculated traffic density and set up traffic light signal to be compatible with traffic flow in each location. Smart Intersection can match well with the sub urban and municipal areas all over the country, which traffic flow is not consistent and none of traffic controller located. Smart Intersection also reduce wasting time on fixed time mode that is not consistent with the real time traffic condition, and will also reduce accidents from traffic light violation that result from inefficient traffic signal control. This is the system to add more efficiency to the metropolitan intersection by stop the load of the roads from different sides if the other side still has high traffic flow. This would reduce traffic obstacle on street and accelerate traffic load from jam location (within central Bangkok) to upcountry side. In 2009, company has project to install



Smart Intersection in 5 intersections in Bangkok area including Nimitmai, King kheaw, Po Kheaw, Ta worn Tawat, and BKK Kre ta , the contract will end at 17 March 2009.

#### **10. Increase of efficiency for Traffic Lights Maintenance**

To increase effectiveness for Traffic Lights Maintenance, company has researched and developed the system to support Bangkok policy aimed at immediately repaired a broken traffic lights including automatic maintenance checking. When the equipment in system has defect, there will be a warning sign to the controller of system and ensure that the problem would be solved immediately. In 2008, the company installed system to increase efficiency of traffic light maintenance for totally 30 intersections or 33 locations. The projects were successful and Metropolitans department has planned to implement a second phase soon.

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

Forth has developed research and development on HID Ballast Electronic, which distribute via company subsidiary Genius Traffic System (GTS). The outstanding feature of the model is energy saving (25-30%), which can play an important role to cost efficiency in medium to large organization. The company has made the grand opening announcements in 5 November 2008. In this 2009, Provincial Electricity Authority establish energy saving policy according to the government energy saving plan, therefore, it came out with energy saving resolution plan by driven to adopt Ballard electronic usage on street light which is currently use HID lighting systems in budget amount of Baht 2.250 Million. Currently, GTS and GEM submit the proposal to install Ballard electronic that has circuit type that saves more energy than original Ballard model in Provincial Electricity Authority. Forth will be manufacture for this Ballast Electronic model including installation feature. The expected return on this project is about 95% of energy saving amount. For LED lighting, the company is continuing to develop LED lighting standards to replace the original LED model, which has shorter product life. However, LED technology are still in improving process to reduce cost and expected to open market within 2010.

#### **12. Automatic Meter Reading (AMR) for large organization**

Forth has plan to enter into competitive bidding on AMR electronic meter for a large electronic user, set up by Metropolitan Electricity Authority and Provincial Electricity Authority. The products on this project include 3 phase electronic meter server and GPRS Network. AMR system retrieved information from installed meter to storage at central server for every 15 minutes. Customer that installed AMR system would be provided real time information of electrical consumption and the profile can be load through internet, that help in efficiency of electronic usage control. The Electricity Authority could also use the data retrieved from AMR server to process an energy bill payment and can be used as parameter measurement such as kilowatt, Kilovar, power factor, phase rotation, Phaser diagram. AMR can also use as Performance Analysis of Network for Automatic Meter Reading Using Power or indicate Damaged or

broken meters and Tampering/theft cutting operating costs - cost savings are realized through reassigned or reduced personnel costs. The AMR project with Metropolitan Electricity Authority has estimated budget in 2009 in an amount of Baht 266 Million. For Provincial Electricity Authority, GEM has already installed one phase AMR system for 26,500 units in Nov2008 and the second phase has been approved in 50,000 units with a budget amount about Baht 1,650 million would be passed in 2010.

### **13. A single phase electronic meter for small organization**

Forth has assign GEM to develop and research on single phase electronic meter since 2006 until present. GEM products was recognized in private market, and for Metropolitan Electricity Authority and Provincial Electricity Authority market that both uses a single phase meter with no AMR for more than 10 years, thus every year, they will purchase a single phase electronic meter for more than one million units. GEM believe that Automatic Meter Reading (AMR) will be soon replace single phase meter with no AMR from the following reasons: 1) Automatic Meter Reading (AMR) provide energy saving as it eliminate energy wastage compare to single phase meter with no AMR about 0.5 watt per 1 location that help in energy saving according to the Local Government policy. 2) Automatic Meter Reading (AMR) is not necessary to calibrate for adjust degree of accuracy.3) Automatic Meter Reading (AMR) can be use as prepayment meters to prevent tampering, which enhance information and personal system efficiency. The price per unit of AMR is lower than no AMR particularly on anti-tampering feature. Therefore, GEM has installed single-phase electronic with on anti-tampering feature at Metropolitan Electricity Authority for 1 year testing, and the result is satisfactory , thus Metropolitan Electricity Authority bought this AMR model to install for 5,000 unit in 2006 with 2 year testing period. In 2009, Metropolitan Electricity Authority then has Baht 40 Million budget allocated for single phase AMR meter without anti-tampering feature. For Provincial Electricity Authority, AMR meter with anti-tampering have been tested for 500 units since 2008. If the result is satisfactory, Provincial Electricity Authority will open competitive bid for single phase AMR around 200,000 units in an amount of Baht 106 Million.

### **14. Water production and distribution supplied to industry sector and for producing tap water project**

The company surveyed and invested in Land to develop a well site construction and maintenance site for keeping water and use as raw material for producing tap water in municipal area. The company is currently has contract party which would supply water to industry sector in upcountry in order to satisfy additional water demand in municipal area.

### **15. Automatic Mobile top-up machine project**

FSS has developed mobile top-up vending machine that supports currency acceptors in bank notes and coins received on each machine. The machine provide service on top-ups cellular phone airtime and smart bill payment for water, electronic, telephone, game online. FSS has developed innovation for mobile top up machine worked under operating system called "KIOSK" which will retrieve

an order from machine; the data would then transfer to FSS Servers that connected directly to operators e.g. AIS, DTAC, TRUE, 1-2 Call, CAT CDMA, and Hutch. After KIOSKKIOSK is an enhanced system that would support FSS to achieve market leader position in online payment industry.

After market survey, turnover of the mobile top-up industry in Thailand is approximately Baht 6,000 million per month. The mobile operator is currently focused in cost reduction in phone card channel and pushes the mobile user to pay airtime through mobile top-up vending machine. The target turnover for online payment is estimated about Baht 1,800 Million per month. Wintin 2009, FSS is expected to snatch market share in mobile top-up vending machine industry at 30% of market turnover. The tactic plan start by Kiosk installation about 15,000 via dealers located throughout the country. FSS has prudently location analysis before set up KIOSK location.

The source of revenue comes from 2 parts: firstly is revenue from mobile operator and the second part came from service charge paid by customer for example, when customer putting mobile charge in machine for 20 baht, the company would charge 2 baht service fee per time, therefore the customer has to pay totally 22 baht and if the customer paid extra charge than bill stated, the excess amount would be credit next time they use service. The estimated revenue on mobile top up machine is about Baht 628 million and tend to have additional revenue from online game, which market turnover will be around Baht 2,000 Million per month.

## Risk of the business

### Risk Factor and mitigation

Risk in electronic component supply business
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#### 1. Risk related to high degree of customer concentration

A material proportion of company sale comes from OEM segment (producing products under customer brands), which was 56.5% and 68.5% of total revenue in 2007 and 2008 respectively. OEM segment is relied on large corporate customer base for example Daikin Industries, Ltd, Western Digital (Thailand), and Pioneer Manufacturing (Thailand) these top three customers accounted for large proportion of Forth revenue especially WD which accounted 64% of total revenue. Therefore, these key customers orders and performance are inevitably impact to Forth revenue. Moreover, electronic component industry is severely competitive and subjected to a rapid changing technology. The cut price strategy is normally used to build and maintain market share. Particularly for worldwide companies that often aims to exploit global efficiencies in the delivery of a product or service with a minimum cost (Global sourcing). Thus low price is important factor on purchasing decision especially in recent years, competition in the lower price segments has considerably dominated by China and Vietnam. Furthermore, the world financial crisis since 2008 leads to financial distress, filed bankruptcy, and decreasing demand in all business segments including electronic component supply.

Nonetheless, Forth gives priority to this type of risk and attempt to increase the number of customers and to find ways to increase the revenues from some retail customers. The company continuously pushes new products at the tier-2 and tier-3 market to penetrate to new market with strong R&D supportive, which would increase competitive advantages. It continues penetrated to new target markets and focuses more to expand government and state enterprise projects e.g. MSAN network with TOT or TT&T. MSAN products also has competitive advantage in global market stage, which is major potential lines for company to export .In addition, the diversified group of business including Electronic traffic lighting, Electronic meter, automated top up mobile (launch in 2009), industries water supply etc (launch in 2010). will assist in lessen the high degree of customer concentration in overall.

#### 2. Risk related to out of date technology

Electronic component models are changing rapidly, therefore the company has to keep up with new technology; otherwise, technology used or produced by a company for profit will become obsolete, and is no longer competitive in the marketplace. Hence, Forth has continuously developed new upgrade models and acquired new technology machines. As in 2007-2008, the company purchased new machine for 97.6 million and 38.4 million respectively to upgrade production process.

From the past success, the company won Best Supplier awards from the Daikin Industries Ltd. Japan on production standard, an also from Pioneer Manufacturing (Thailand) Ltd and Toshiba Carrier (Thailand) Co., Ltd. These successes indicate that the company has global standard production. Furthermore, FORTH obtained a technical know-how from one of market leader in Japan, so, the company turn to focus to control competitive advantage and maintain a high quality of production strategy to sustain prominent leadership in the industry.

### **3. Risk Related to Reliance on Customers purchasing agreement**

The production process and quantity are dependent on customer orders and agreement between both parties. In case of breaking deal or changing decision from customer side, company is impaired by disagreement over delivery schedules, quality, or other issues, this could have an adverse impact on future orders. Nonetheless, the company basically specify obviously penalty and requested customers to pay compensation or switching cost in the event of breaking agreement. Therefore, this would reduce probability for clients to switch or break the deal. In addition, Forth has established a long term relationship with customers since the firm and clients are coordinating from R&D, planning process, product specifications, until delivery schedule. Therefore, the firm could always deliver all customer requirements and decrease the change of breaking agreement.

### **4. Risk related to inventory Obsolescence**

Since the company product and raw material have short life cycle, therefore the inventory is volatile to obsolesced risk. The longer inventory days, the higher inventory obsolesced risk. However, the firm has conservative accounting policy by setting high % of inventory provision. In 2008, inventory provision was 16 Million Baht and increased to 9 Million Baht in 2009. Moreover, the firm focus to minimize inventory cost while maintain a wide assortment and adequate inventory on hand by closely monitoring in inventory movement. It also implement advance planning to determine inventory need monthly and analyzing the root cause of slow turnover items. The warehouse has been inspected periodically to carry out damage good and repair immediately. The slow items and damaged goods were distributed periodically to reduce low turnover items, thus the company can effectively decrease the proportion of inventory on stock over 360 days.

## **Risk in telecommunication, Traffic LED Light, and Electronic Billboard**

### **1. Risk related to supplier concentration**

Light Emitting Diode (LED) is the key material to produce traffic lights and the electronic signs and billboards. GTS has certificated from government agency to produce traffic lights with specified raw materials in the condition. Since GTS started the business, the raw materials have been imports from two main suppliers: Nichia Corporation, Japan and Agilent Technologies, USA. Therefore, both suppliers

which are market leaders in LED, are vital sources. If either supplier cannot deliver raw material to GTS, the adverse effect would affect both productivity and profitability of GTS. Nevertheless, GTS has been devoted to development of resources planning and forecasting order. GTS has a strong relationship with both suppliers since starting business. Furthermore, the GTS is focus more on supplier diversity by sourcing out more suppliers both in domestic and international. Therefore, GTS believed that it can mitigate unfavorable supply condition in traffic LED and electronic production.

## 2. Risk related to liquidity

The target customers for PBX equipment and traffic light, electronic board, electric meter are governmental sector which normally get the longer credit term compare with a private sector. The standard credit term is about 60 days, or longer depends on each government unit budget. Since the company anticipates a higher proportion from government sector, thus, it need to ensure that a working capital becoming sufficient to meet near term financial demands.

Notwithstanding, Forth has high experience in government agency deals e.g. turnkey project on traffic light system for the Bangkok Metropolitan, MSAN project with TOT, etc. Thus the firm is specialized in liquidity management on government and long term credit transaction. The firm always has sufficient working capital and receive a plenty reserve on bank short term credit line from its prominent creditworthiness.

### Risk in Traffic Signs Board business of Genius

The Genius is FORTH partnership with GTS, entered into agreement to install automated traffic billboards include the maintenance and levy benefits from the advertisement on those boards with the Bangkok Metropolitan Administration. The invested capital is baht 235 million which lead to the following risks to company:

#### 1. Risk related to missing revenue from projects

According to an agreement with Bangkok Metropolitan Administration, Genius got the right to collect charging fee from advertisement on traffic billboard. The term of the agreement is three year and must be renewed 3 year per times (with 2 time settlement). In compensation, Genius agreed to pay annual fee for total 5 Million Baht. If Genius is fail to earn income from the advertising charging fee to recover its costs, Genius might encounter loss from project, which would unavoidably affect Forth profitability. From financial crisis in 2008, the economic sump down increase probability that billboard (asset) fair value will be less that book value, therefore the company recognized 10.8 Million Baht on Billboard impairment reflected on P/L statement. Nevertheless, Forth attempt to solve loss incurred problem by offering new

service to provide traffic condition on each location linking to GPS signal network so that GPS customer can be avoid traffic jam area or path. Forth also has some alliance to join launching new package that will increase the revenue part eventually.

## 2. Risk related to contract termination

Genius has to comply with an agreement and all conditions to Bangkok Metropolitan Administration such as advertising charging management. If company fail to meet agreement, or if any party is canceled or terminated for any reason, the company will permanently lose all rights and shall not be eligible to receive commissions or other income resulting from the advertisement, which inevitably lead to financial distress. Furthermore, The project investment amount was significantly high (210 Million) for 3 years contract period with 2 time extension for 3 year contract period long (totally 9 years contract period baht) Moreover, because of company's conservative accounting policy, the project asset would be amortized about 26 Million Baht annually for 9 years period entirely. Therefore, the event of cancellation, termination or nonrenewable will be a big effect to company profit.

However, the company is able to handle with all conditions and arrange for reserve parts since the begging of the contract, therefore, Bangkok Metropolitan Administration has signed a renewal agreement for future 3 years in Dec 2008. Moreover, the company is the first producer to enter in manufacturing LTD traffic sign boards in Thailand, which give competitive advantage compare to import products in aspect of cost saving and perceive as the software developer for the projects. Consequently, the company is favor in case of long term maintenance service because it will be higher cost for Bangkok Metropolitan Administration to acquire new software maintenance. The company plan to launch new product package to boost up advertisement collection fee to compensate missing revenues.

### Risk in software development in ERP, CSS and the Billing system business

On November 7, 2005 Forth has contract agreement with the Metropolitan Electricity Authority under Forth Consortium to develop and install software on the ERP, the Customer Service and the Billing system module for project amount 549 Million (the portion of forth is about 69% or 379 million). The software will be deliver in 6 parts, and have to entirely complete within October 28, 2007. However, because the counterparty joined has called off, Forth Consortium is unable to deliver complete software within contract due and the project might delay further. The incremental costs are penalty 0.2% of collection fee (minimum 100 Baht per day, Construction Control 5,000 Baht per day started from the contract ending period) Nevertheless, Forth has successfully negotiated with the Electricity Authority of Bangkok Metropolitan to extend project time frame until June 2010. Moreover, the firm has potential to earn more revenue from sale of additional license including 4 years maintenance charges, which tends to cover the incremental cost from project.

## Risk in Top-up mobile business and payment service

### 1. Risk related to severe competition

With an intense competition in payment service and top up mobile machine, a lower pricing and dumping has become more intense. However, FSS is a comprehensive service provider that offers a high-performance operating server cover all area and initiates an effective operating system that able to like with a wider range of mobile network operator. Moreover, FSS has a powerful customized marketing plan that helps identify and target their best customers, generate quality and implement marketing campaigns by segment. Moreover, the company owns the existing customer base from top-up machine production and the specialized alliance which high experience in the business. The second phase will launch additional payment service to online game, ring-tone, download file that would differentiate from competitors.

### 2. Risk related to economic recession

Thai economic growth is expected to grow slightly or even slowdown due to the global economic slumping. The negative factors such as political, the uncertainty result of government financial aid package, etc might adversely impact to demand on consumption spending and definitively mobile phone usage. However, FSS believed that the effect is insignificant because the target customers group of FSS is retail mobile user who will have more alternative to fill up airtime with minimum only 10 Baht compare to a phone card that has higher minimum payment (50 Baht or over) and is likely to decline in the future because of a high fix cost to provider. Therefore, the situation might be advantage or at least bring to only minor effect to company.

## Risk in water pump and water supply

### 1. Risk related to project investment

The company project to construct water storage to supply raw water for industry section operated under Thai water industry Co., LTD has value approximately Baht 200 Million. The starting capacity is expected to be 15 million cubic meters and will be formally distributed in 2010. Although the company has prudently reviewed the possibility of the project, there still has uncontrollable external factors that might impact the project returns for example a force of nature disaster, which would deteriorate the expected return and might lead to required financial support from main company. However, the company has done with the feasibility analysis with the reasonably assumption, and assign the key responsible personal to handle in each part of process as well as preparation to mitigate risk such as additional well storage construction. In addition, the contract that company agree with counterparty has speculated minimum order to distributed and the counterparty will responsible for missing order less than stated minimum. Therefore, there is high possibility that the expected return would be worth as company anticipated.



## 2. Risk related to cost increase because of higher oil or gas cost

Although oil price is unanticipated slumping down since 2008, however the uncertainty of economic condition caused oil price unpredictable and oil price volatility will increase dramatically. The rising cost of oil would increase both direct and indirect operating costs, which fuel cost is about 20% of total operating costs. Nonetheless, the company plan to execute pumping time management effectively to reduce electronic expense when Peak loading time. In addition, the firm is requesting supportive from Electricity Generating Authority of Thailand for Diesel pumping machine project which can reduce operating expense. Moreover, the company can raise price of water sold to counterparty based on increasing electric expense formal announcement.

### Exchange rate risk

The company imports its raw material in US, Hong Kong dollar, and Yen especially in ES, which import electronic parts for producing and distributing for approximately 78% of cost of good sold in 2007 and 88% of cost of good sold in 2008. Therefore, the currency exchange volatility could affect the firm profitability. Therefore, ES has developed raw material procurement planning and forward agreed price to mitigate the risk. The company also constantly keeps update with exchange news and issue, and considers to efficiently using the difference types of financial instrument such as forward contract to minimized exchange rate uncertainty. In addition, the pricing can be adjustable with exchange rate volatile, so the firm could effectively mitigate this risk.

### Majority shareholder risk

#### 8.1 Risk relating the reliance on Key Executives

Mr. Pongchai Amatanon is the founder of the company and has worked as Managing Director and (acting for) the Service and Marketing Director since the firm was established. He has high experiences and has play significant role in setting company direction. Thus he is the key man and is critical to the survival of business. However, to diversify key executive risk, the company has decentralized authority to the Board of Director and delegated decision-making authority down to the lower levels in an organization and to other company group, relatively away from and lowers in a central authority. Mr. Pongchai still play a significant role in major decision.

#### 8.2 Risk relating the major shareholder group

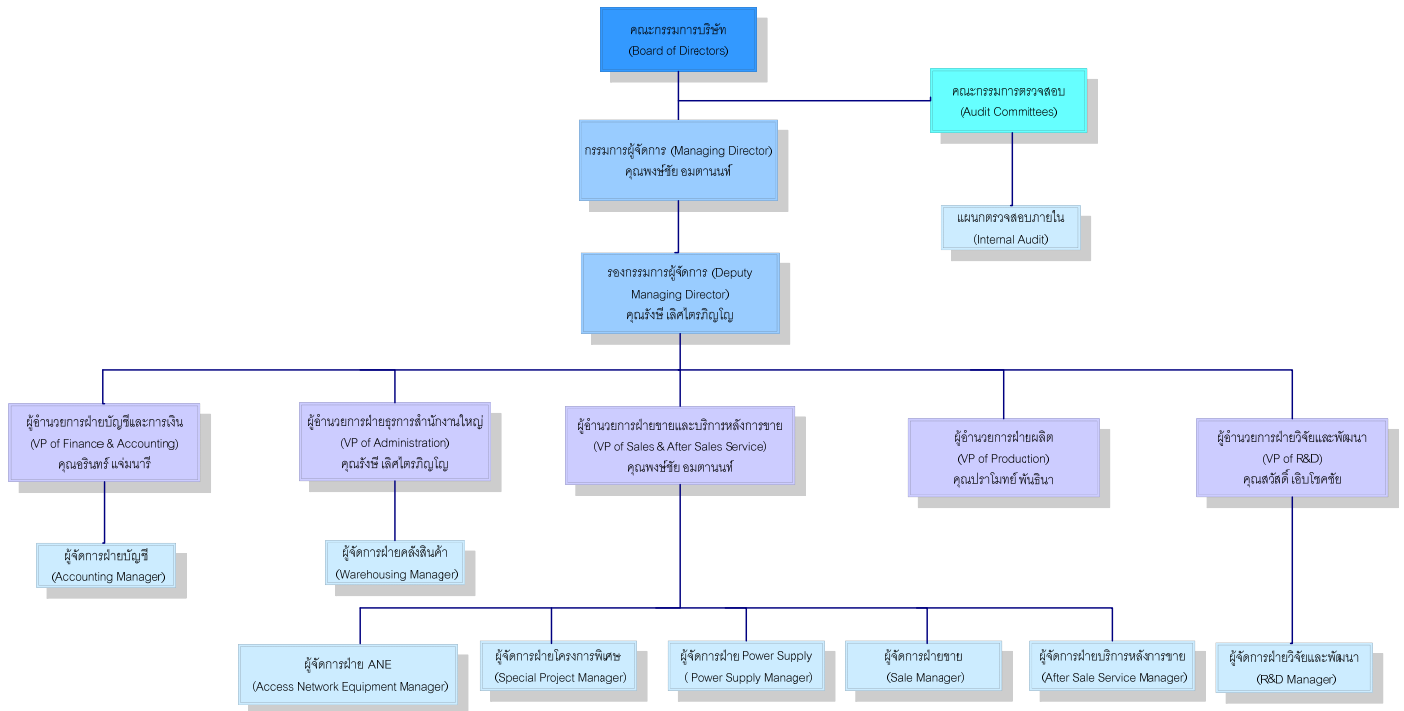
In 2007, the Amatanon Family hold share in company totally more than two third of paid up capital, as a result they are able to manipulate the resolution of shareholder meeting in almost issue either appointment of director or the approval of other matters having acquired a majority vote except the

matter related to law or article of association, which required at least three fourth vote of share holder meeting. It's thus may be impossible for other shareholder to gather vote to check and balance the power on the matter proposed by major shareholder.

However, in 2004, the company has set up audit committee which has independent vote and responsible to check and approve every issue presenting to shareholder to increase more transparency.

# MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

Organization Chart as of 2009



## Corporate Governance Committee

The Corporate Governance Committee of Forth Corporation Public Company Limited comprises three directors with the following details.

## Board of Committee

The company Board of Committee included 9 members with 3 Executive Director and other 6 Non-Executive Director as of December 2008 namely:

Name	Position
1. Mr. Sanit Worapanya	Chairman of Board of Director/ Chairman of Audit Committee/ Independent Director
2. Mr. Sutham Malila	Audit Committee / Independent Director
3. Ms. Nongram Laohaareedilok	Audit Committee / Independent Director
4. Mr. Pongchai Amatanont	Executive Director
5. Mrs. Rangsee Lerttripinyo	Executive Director

Name	Position
6. Mr. Kaelic Amatanont	Director
7. Mrs. Matinee Wandeepirom	Director
8. Mr. Boonya Tantipanichaphan	Executive Director
9. Ms. Chonthicha Siripongpreeda	Director

All Board of Committee has qualifications as required in the Statement of Public Limited Companies Act BE 2535 and as speculated in Securities and Exchange Act without unpermitted characteristics by Securities and Exchange Commission and Thai Stock Exchange.

#### Authorized Board nominee

Authorized Board nominees, who can sign off on behalf of juristic person namely: Forth Corporation Public Company Limited, are Mr. Pongchai Amatanont co-signed the agreement with either Mr. Kaelic Amatanont or Mrs. Rangsee Lertripinyo, or Mrs. Matinee Wandeepirom with company logo seal.

#### Duties and responsibilities for Board of Committee

1. Ensuring that all members in Board of Committee have undertaken actions under the Statement of Corporate Governance Principles, as specified as well as shareholder resolution with ethic and integrity on behalf of company.
2. To arrange annual shareholders meeting within 4 months after ending of annual accounting closed period.
3. To arrange for board of committee meeting at least every three months.
4. To certify the company's audited interim and annual financial statements and propose the audited financial reports to AGM for consideration and approve.
5. Ensure that the company shall vest the representative person with full authority of board executive or board director with respect to specific matters delegated and approve by the member of board committee. Board committee may terminate, adjust or amend such a delegated authority on any appropriate judgment.

The above authorization must not involved the transactions showing a potential conflict with company business interests as well as main transactions with related parties except that transactions were conformed to authorization policy or were approved by the Board of Directors

6. Review and discuss Management's proposed strategy options and approve major decisions in respect of firm direction and policies. An exception to the matter concerning legal issue would be necessary to gain approval from shareholder meeting, for example The increasing or reducing the Company's capital; sale or transfer of the whole or the substantial part of the Company's business to any other person or purchase or acceptance of transfer of the business of private companies or

public companies by the Company; The amendment of the Memorandum of Associations or Articles of Association of the Company

7. Monitor the company's performance and progress toward achieving set objectives as well as compliance with the laws and regulations in Statement of Public Limited Companies Act BE 2535 and Securities and Exchange Act related policies, or any related government agency in such issue as relate party transactions.
8. Review and approve the human resources policies, management development policy. The Board shall seek and nominate successors to the Chief Executive Officer and the President, as well as appraise their performance.
9. Ensure that the board committee has a proper system in place to communicate effectively with all stakeholders and the public on conflict of interest issue e.g. an increase or decrease in number of share that board hold on related companies.

A board member therefore cannot personally benefit or for others sake from his position on the board, owner, or partnership in any business engaging in direct competition with the corporation except when disclosure is authorized in AGM meeting.

#### Executive Board of Committee

As of December 2008, company comprises 3 executive Board of Committee including:

Item	Name	Position
1	Mr. Pongchai Amatanont	Managing Director
2	Mrs. Rangsee Lerttripinyo	Deputy of Managing Director
3	Mr. Boonya Tantipanichaphan	Executive Director

#### Duties and responsibilities for Executive Board of Committee

1. Manage and undertake the business as assigned by company mission, objectives, policy, regulation, condition, or any mandatory stated by Board of Directors, or by specific resolutions of shareholder meeting.
2. Develop and undertake business policies, strategic plans, direction, budgets, managing structure and authorization as well as monitor and assess the performance in order to achieve the company's objectives.
3. Review and recommend to the Board for approval an annual capital expenditures budget or any adjustment in budgeting amount for the Corporation and its component. If deemed appropriate by the Committee, review and recommend to the Board for approval projected capital expenditures budgets. If board meetings are not arranged, then submit concluded budget to the next board meeting.

4. Authority to approve company in conducting normal operating transactions up to a limit of 20 Million Baht such as purchase of assets, machinery, vehicles except for raw material purchasing. Also, authority to approve the capital investments spending that included in annual budget assigned by Board of Directors or mentioned in Board of Directors jurisdiction.
5. Make approval for loan proposals, bond issuance, collateral, personal guarantee on loan and any credit proposal with amount up to a limit of 50 Million Baht.
6. Make recommendations to the Board regarding revisions to financial policy, marketing strategy, human resource management and any operating plans.
7. Review and approve organization structure and management, the human resources policies, management development plans regarding to recruitment, moving, and termination as well as remuneration policy.
8. The Board of Directors selects any other BOD members in whom they vest certain duties responsibilities and authorities to operate in any normal business or any appropriated activities within specified periods. Board committee may terminate, adjust, or amend such a delegated authority to any other persons on any appropriate judgment.
9. Operate in other activities regarding to board of director assignment.

Authorization of executive Board of Committee is not included any transactions shall be inclusive of the shares held by related persons, company, or juristic person or any transactions associated with conflict of interest to company or related company as required by the rules and regulations of applicable law. The above defined transactions must be proposed to the Board of Directors or annual general meeting for consideration and approval according to any related regulations.

#### **Independent Board of directors**

Independent Board of directors are the person whose only nontrivial professional, familial or financial connection to the corporation, its chairman, CEO or any other executive officer is his or her directorship.

1. The board must not be a substantial shareholder with owning less than one percent of shares outstanding of the company, holding company, its subsidiaries and associated companies including the number of shares held by related party to that independent Board member.
2. The board must not has been assigned or authorized by any executive any company board of director to manage in normal company businesses and must be apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the

company, its promoters, its senior management or its holding company, its subsidiaries and associated companies.

3. The board must not be an executive nor independent director in the company, holding company, its subsidiaries and associated listed companies held by Forth for more than 50% share outstanding.
4. The board must not be or have an immediate family or close family including person's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law to board of director, major shareholders, authorized person, or nominee to board of director or Authorized Director.
5. The board must not have high stakes in the company, holding company, its subsidiaries and associated companies or related parties that would constraint to the act of fully independent manner.
6. The board must be capable without constraint by other external factors to make any independent recommendation regarding to company operating activities.

As of December 2008 The company board of independent committee included 3 members selected from 9 members of board of director calculated 1:3 proportions conformed to good corporate governance according to SET regulation. The board of independent committee is listed as following:

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

#### **Audit committee**

The Board of Directors approved the appointment of the Audit Committee in 2004, each member having a 2-year term. The qualifications prescribed by the Securities and Exchange Commission are

1. Each member shall meet any applicable independence requirements
2. No participation in the management of the company, an affiliated company, associated company or related company, or related juridical company.
3. He or she shall not being BOD or employee in from the Company, an affiliated company, associated company, related company or related juridical company.
4. At least one member must have accounting or related financial management expertise as the Board of Directors interprets such qualification in its business.

As of 31 December 2008, there are 3 Audit committees members as follows:

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

#### Duties and responsibilities for Audited Committee

The 4/2008 audit committee meeting as of 13 November 2008 passed the resolution on adjustment of some duties and responsibilities required to comply with SET regulation regarding to qualification as well as Duty and Authority of the Audit Committee in 2008 announced on 1 July 2008. The range of roles, duties and responsibilities of audit committee are

1. Review financial statements under consultation with the external auditors in order to ensure that the financial statements are accurate and reliable, and in compliance with accounting standards, laws and standards.
2. Review the effectiveness and appropriateness of the internal control and audit system, independence of the internal audit function and endorsement of the appointment, transfer and termination of employment of the Internal Audit.
3. Review the firm's operations to see that they are in compliance with Securities and Exchange Acts, SET regulations and standards.
4. Consider selection and recommend to the Board on the appointment of external auditors and annual audit fees of the independent auditors. Hold at least one meeting a year with the external auditors without the presence of management.
5. Evaluate the connected transactions, or transactions with possible conflict of interest in relation to compliance with the laws and regulatory requirements, in order to ensure transparency of those transactions.
6. Submit Committee Report specified by the Stock Exchange of Thailand for disclosure, and prepare the annual Report, signed by the Audit Committee with the following issues:
  - (1) Auditor's Report stated that the information presented in the financial report is correct and free of material misstatements.
  - (2) Review the adequacy and effectiveness of all internal control processes
  - (3) Review that the company is in compliance with Securities and Exchange Acts, SET regulations and standards.
  - (4) Review the appropriateness on the selection of the external auditors.



- (5) Evaluate the connected transactions, or transactions with possible conflict of interest in relation to compliance with the laws and regulatory requirements.
  - (6) Submit total number of Audit Committee meeting arrangement and summarizing the year's attendance of each member.
  - (7) Discuss and review with management or outside experts any matters or activities having a bearing on the Board's oversight responsibilities.
  - (8) Ensure that corporate information disclosures to public are in accordance with range of roles, duties and responsibilities of audit committee.
7. Perform any other act as assigned by the Board of Directors with approval of the Audit Committee.
  8. If audited committee found all allegations of improper, illegal, or unethical conduct that might significantly effect to company financial and operating performance, it is necessary to supervise an investigation into that matter to accomplish the Committee's responsibility and report directly to BOD for solution to deter those illegal activities including.
    - (1) The transactions that might lead to any conflict of interest
    - (2) dishonesty, fraud or corruption, and inappropriate in internal control system
    - (3) Violations of he Statement of Public Limited Companies Act BE 2535 or Securities and Exchange Act or any related regulations.

#### Management Team

As at December 31, 2008 there are 6 members on the Management team

Item	Name	Position
1	Mr. Pongchai Amatanont	Managing Director / Vice President of affiliated company management / 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. Arin Jamnaree	Vice President of Accounting and Finance

The company does not have selection committee; therefore, the section process is that candidates nominated for the positions of directors are taken into consideration via AGM meeting. The appointments of director position are determined by majority votes, which comply by good corporate governance.

The directors must be elected at the shareholder's meeting voting process. The shareholders shall be entitled to one (1) vote per one (1) share, and they have an option to cast the vote on individual or group of people as the criteria decided by meeting. The shareholder cannot delegate all or some parts of the voting to any person. Persons receiving the highest number of approving votes among all candidates are to be elected in a respective order, in proportion to the number of BOD positions to be filled at that meeting. In the event of a tied vote on candidates for the last order for director election, the chairman of the meeting shall have the deciding vote.

#### **Roles and Responsibilities of the Board of Directors**

1. Execute and supervise business policies, business plan and budget, and oversee the company's management in effectively carrying out actions that are in line with the designated policies and business plans.
2. Execute and supervise to run business accordance with the rules and regulatory requirements of related government agencies and the resolutions of shareholders' meetings/BOD Meeting/ Management meeting.
3. The Chairman and the Vice Chairman may approve the empowerment of executive authority to the firm's Chief Executive Officer or President to legally act on behalf of the company in conducting activities within specific limitation of letter of authorization, the Board of Directors compulsory, or any other company regulations.
4. Monitor the performance of company plan and policy with regard to risk management.
5. Obtain detailed understanding of significant procedures and practices employed in the Business Contract process and present to BOD or Executive director for approval.
6. Executive Officer or President to legally act on behalf of the company in conducting normal business transactions up to a limit of Baht 10 million per transaction except raw material purchasing.
7. Executive authority shared among various departments refers to authority that is not assigned specifically to any one particular department, but may be specified according to the job performed by those employing such authority in various departments/units.
8. Consider recruitment, retirement, termination, transfer or other reasons specified in employment process, remuneration, compensation, bonus, and fringe benefit system approved from BOD to an employee, a staff member, an adviser who receives a regular salary exclude any executive and board committee.
9. Assist in activities or any assignment from Board committee.

Authorization of executive Board of Committee is not included any transactions shall be inclusive of the shares held by related persons, company, or juristic person or any transactions associated with conflict of interest to company or related company as required by the rules and regulations of applicable law. The above defined transactions must be proposed to the Board of Directors or annual general meeting for consideration and approval according to any related regulations.

**Compensation for the Chief Executive Officer, President, Executive Vice Presidents and other high-ranking executives**

Upon reviewing the remuneration for directors and high-ranking executives, as disclosed with transparency, the Human Resources and Remuneration Committee deemed it commensurate with their duties and responsibilities, according to the industry's criteria, and also taking into consideration the company's performance results, performance assessment as well as the overall business and economic environment. The compensation policy compensation for the Chief executive Officer, President, Executive Vice Presidents and other high-ranking executives in form of meeting attendance remuneration. The meeting attendance remuneration in 2007-2008 was approved by AGM meeting as of 28 March 2007 and as of 18 April 2008 respectively;

Name	Board Committee		Audit Committee	
	2008	2007	2008	2007
Mr. Sanit Worapanya	102,000	48,000	165,000	120,000
Mr. Sutham Malila	70,000	50,000	154,000	140,000
Ms. Nongram Laohaareedilok	70,000	40,000	154,000	112,000
Mr.Pongchai Amatanont	70,000	40,000	-	-
Mrs.Rangsee Lerttripinyo	70,000	40,000	-	-
Mr. Kaelic Amatanont	70,000	40,000	-	-
Mrs.Matinee Wandeepirom	70,000	40,000	-	-
Mr.Boonya Tantipanichaphan	70,000	40,000	-	-
Ms. Chonthicha Siripongpreeda	70,000	40,000	-	-
<b>Total</b>	<b>662,000</b>	<b>378,000</b>	<b>473,000</b>	<b>372,000</b>

Executive Remuneration	2009	2008	2007
Executive Remuneration (Million baht)	31.18	27.99	27.21
Executive Director (persons)	12**	10	10
Monetary compensation	Salary Social Security money and Provident Fund, Bonus, gas and car maintenance		

Others	Executive Cars, Mobile telephones	Others	Executive Cars, Mobile telephones
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**Other remuneration**

-NONE-

## Corporate Governance

The company has been realized for our exemplary success in organizational management for public and private organizations, plus domestic and foreign educational institutes, paid visits to the company for presentations on organizational management. Thus, the company has a strong intention to control good corporate governance according to the Statement of Corporate Governance Principles 2008

### Section 1

#### Rights of Shareholders

Recognizing the importance of shareholders, the company makes every effort to treat its shareholders equally and fairly, as specified under the Articles of Association of the regulations and related laws. The basic legitimate rights of shareholders include the rights to buy, sell, or transfer shares, rights on eligibility to receive dividend payment, the right to receive sufficient information in a timely manner to participate in shareholders' meetings, the right to vote on various businesses agenda, the right to appoint a proxy to participate, the right to vote on the annual appointment of board committee and independent auditors, the right to give opinions and enquire into business matters of the company during shareholders' meetings, the right to set up in advance on agenda and nominate any external candidate for board committee position. The company has control corporate governance on shareholder right tasks and avoids any action that violated of any right shareholder derived

#### Annual General Meeting

Company has arranged AGM meeting on 2008 according to the Thailand Stock Exchange Trading regulations in accordance with the guidelines issued by the set trade board committee and the Stock Exchange of Thailand's requirements and also AGM Checklist. This checklist provides a convenient structured format for evaluating AGM arrangement. The assessed performance of company AGM 2008 was "80-89" or "very good" from Thai investor association and Thailand Stock Exchange. The company will developed AGM arrangement with feedback for the next progressed performance.

#### Annual General Meeting Schedule

Along with company regulations, shareholders' meeting (AGM) usually be arranged within 4 month since annual accounting closed date. AGM of the year 2008 was held on 18th April 2008 at Panorama room 2, THE EMERALD HOTEL, 99/1 Ratchadapisek Road, Din Daeng, Bangkok 10400 Thailand which located in city center convenient primary means of transportation.

**Before the Annual General Meeting of Shareholders** Company arranged for delivery of the meeting notice for shareholder preparation to Thai securities depository (TSD), which is company stock registrar. Shareholders were sent sufficient information on complete set of supporting documents for the meeting for their consideration more than 14 days prior to the meeting date. The attachment document is prepared to support shareholder decision on AGM agenda resolution and ensure the full reception on shareholder right, the documents includes:

- Facts and the reasons along with Board committee comments and suggestion
- The supporting documents e.g. Board biography, the definition of independent committee in the board election agenda to replace the expired one, the committee remuneration proposal.
- Detail in AGM processes and the right to attend the meeting, including a proxy form given to the independent board of company identify the shareholder resolution on voting.
- Company respect shareholders' right to attend AGM meeting 2008 and the agenda have not added or adjusted immediately without shareholder advance notice.
- All of the information sent in document form was also posted on the company's website ([www.forth.com](http://www.forth.com)) at prior to the meeting date so that shareholders received the information in a convenient and timely manner.

**ON AGM meeting Day** Company arranged and facilitated for shareholder registration to attend AGM meeting with transparency and give an opportunity to shareholder ask questions and make any suggestion in the following topics

- Encourage the board committee and executive directors to clearly answer and consider all shareholders opinion and suggestion. In 2008, eight of nine chairman and board of committee attend the 2008 AGM meeting, calculated as 89% of total number of committee.
- Arranged to ensure that the agenda sequence is on schedule set up in AGM meeting notices.
- Offered all shareholders an equal opportunity to give suggestions and ask questions within appropriate topics, and allowed directors in charge of the topics that were raised to clarify and provide complete information to shareholders. All the meeting process has to be records completely.
- The chairman of the meeting offered all shareholders an adequate time frame and conduct meeting flow appropriately and transparently then allow shareholder to vote and counted voting formally and record in agenda resolution
- The counting of votes was carried out in a transparent manner with vote counting cards. One share equals one vote, and approval of a resolution was based on the majority of votes. In the event of a tie at a lower place, which would make the number of directors greater than that required, the chairman of the meeting should have a casting vote for judgment. For special resolutions which required approval of law or regulations present by company or related party.

- Shareholders will abstain or provide a no vote on the agenda in situations where there is potential for conflict of interest on that topics.
- The lawyer is involved in meeting stage; that is, a third party inspector to review the shareholder documents or proxy attendant, ensure the accuracy of vote counting procedure with the company regulating or chairman announcement, collecting voting card process and review agenda resolution and voting results. In 2008, the inspector recommend that company has transparency in voting process conforming to the related law or regulations.

#### **After the Annual General Meeting of Shareholders**

In 2008, the company has announced AGM agenda via set trade (SET) 1 day after meeting concerning the voting results on each agenda and report AGM minute which identified name of board committee, and the voting result agree, disagree, or abstain the vote right on each agenda and informed the key issue on Q&A from shareholder including an explanation in detail from executives to SET and related party within 14 days as well as post all information in company website ([www.forth.co.th](http://www.forth.co.th)).

## **Section 2**

### **Equitable Treatment of Shareholders**

Recognizing the importance of equitable treatment of shareholders, the company has established a Corporate Governance Policy based on shareholders' rights and the equal and fair treatment of all shareholders, and has undertaken the following tasks:

1. Shareholders had the option to appoint proxies to the meeting.

Shareholders unable to participate in the meeting had the option to appoint proxies to the meeting. Proxies could be external person or independent directors nominated by the firm appointed to participate in voting on behalf of the shareholders. The assigned shareholder must submit proxy forms with voting right detail and attach ID card or passport or other identification document to the company before AGM meeting day. The company sent a meeting notice and proxy forms as an attachment with AFM invitation or can be download from company website ([www.forth.co.th](http://www.forth.co.th)).

2. To provide shareholders with the opportunity to propose matters to consider including as agenda items, per specified criteria.

To promote good governance, the company provided shareholders with the opportunity, before the Shareholders' Meeting, to propose matters to consider including as agenda items, per specified criteria by:

- a) Shareholders who need to propose any additional issue to be included in the agenda items have to attach the information and the reason supporting, facts, and necessary document in proposed AGM agenda form, which can be download on company website ([www.forth.co.th](http://www.forth.co.th)) or contact the company directly.

b) The shareholders of the company will be asked to confirm and approve the Shareholder Rights of the person who propose additional agenda with Shareholder's Registration at closing registration date. The criteria for Shareholders to propose additional agenda of the Annual General Meeting of Shareholders is that matters have to creating material effect on company business or operation. If the company's board of directors consider the appropriateness of the agenda proposed by the shareholders, the propose agenda would be included as the meeting agenda together with the specification that the agenda has proposed by shareholder. For the disapproved matters, the company will inform the shareholders for acknowledgement together on company website.

3. Shareholders had right to propose director nominee

The Shareholder who has right to propose the agenda or director nominee must possess qualifications according to the criteria as follows:

1. Having the qualification according to the Public Company Act, Securities and Exchange Act and the Good Corporate Governance of the Company.
2. Being knowledgeable, capable, independent, dedicated, and healthy mentally and physically, be of suitable age and be able to perform director's duties with care and loyalty
3. Nominees should attend the Directors' meeting regularly, study meeting agendas in advance, and productively participate in the meeting in a straightforward manner
4. Should not serve too many board positions and not being the director in the same business

The independent board would select the person who possesses qualification according to the criteria for AGM meeting consideration. If the meeting disapproves that nominee by independent board, the nominees would again propose to shareholder meeting without board recommendation and this is the final decision. The shareholder who proposes the board committee candidate has to submit the following document: (1) Board committee nominee proposal form (2) The evidence of shares' held, namely the certified letter of the securities company or other evidences of the Stock Exchange of Thailand as well as the evidence of nominee's consent, support document of candidate's qualification including the education and work experience (Curriculum Vitae), and Other support documents beneficial for board consideration (if any) (The date count based on destination posting stamp).

4. Usage of inside information

The company has established regulations to limit the use of inside information to only the director, executive director or higher and those in position of Department Head or equivalent in the Financial Accounting Management Department or Financial Planning Department. The inside information would

be discussed among management level only. Since the company listed, it never breach inside information compliance and prevention of the use of inside information by rigid penalty to the misuse inside information association that negatively affect company business. Director, executive director or higher must report their ownership of securities issued by the company to the board committee meeting.

#### 5. The governance concerning securities trading of insiders

The Bank has established policy to prevent employees, executive management and the insiders trading company security since the day they retrieved information until that information disclose to public and prevent using inside information that may have a significant impact on the price of securities, and has not been disclosed to the public or the Stock Exchange of Thailand.

### Section 3

#### Roles of Stakeholders

The company places particular emphasis on the equal rights of all stakeholders, both internal stakeholders, i.e., shareholders, customers, and employees of company and subsidiary companies counterparties, creditors, and external stakeholders.

**Employees:** Employees are valuable assets of the company. The company recognizes the need for proper personal rights and personal right protection, ensure the equality to derive the right, and provided appropriate remuneration e.g., leave permission, promotion, transfer, and fair performance evaluation.

**Customers:** The company aims to promote customer satisfaction by offering high-quality financial products and services through ISO 9000 standard. The company gives due attention to and holds itself accountable to customers, and more importantly, gives high significance to the protection of their confidential information

**Counterparties creditor and contractor:** The company respects to provide goods and service with high standard, and aim to establish long term relationship with counterparty and contract party with clear objective in product and service quality; therefore, the company build a good governance on product and service supply procedure by

- Fairness in competition with symmetry information
- Respects compliance with contracted terms and conditions in trade, in fair and acceptable competition
- gives high significance to the protection confidential information.
- Doing business with integrity, reliability and formally announce the material and relevant regulation or laws to them

**Government agencies**



- To strictly adhere to the Statement of corporate governance, conduct, and to participate in law, regulation, and government the Code of Conduct

The company develop communication channel to deal with appeal from all stakeholders mention above. Stakeholder who possesses appeal must submit documentary appeal to the corporate investor relation department' officially via email or company address mention above, then IR officer would review and then process their appeal to audited committee, independent board, or board committee for improvement by

1. The appeal from shareholder will be process to audited committee or board committee or can contact directly to chairman/audited committee via company address
2. The appeal from customer counterparty or external person will be process to executive director to solve the problem then report to board committee later
3. The appeal from creditor will be process to executive director to consider whether to submit appeal for board committee consideration

#### Section 4

##### Disclosure and Transparency

Realizing the importance of transparent information disclosure, the company has set up and supervised clear policies concerning communication with external parties timely and accuracy. The objective of these policies is to ensure that the disclosures of company's financial information and operating performance, and non financial by download financial reports, annual report, 56-1 from related agency website e.g. SET, SEC Thailand or company website ([www.forth.co.th](http://www.forth.co.th)) that has been periodically update.

For disclosures on important information, the company initiated a seminar for investors and analysts, as well as media to disclose quarterly operating performance and attend any activities to present and disclose company information to investor, analyst, or media interested for example In 13 March 2008, the company attend "Opportunity Day " held by SET at 1101 convention room, Set trade building to declare operating performance of 1Q/2008 and also has company visit open for interested investor ot analyst to visit the factory (located at Putamnton 5). In addition, the company realized the important of information disclosure to investor and stakeholder, so we has develop the effectiveness of the disclosure procedures that always comply with the Statement of Corporate Governance Principles from SET and SEC in annual report and AGM invitation to clarify board committee and independent board 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 audited committee recommendation and advice. The board committee responsibility to financial report has declare with audit financial report.

#### Record of Director's attendance at meetings in 2008

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 2008

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

### Section 5

#### Responsibilities of the Board of Directors

##### a. Board committee structure

There are 9 members on the board of directors or company directors and 3 non-executive directors who are also independent directors, which approximately 1 to 3 times of all members. The company clearly sets out the duties of directors in the rules and regulation in accordance with the SET law (independent director responsibility name list and duty of board of director and selection process has clarified in organization structure in this report)

The board's policy is that the chairman shall be independent and non-executive at a time to ensure clearness and transparency by outlining duty and responsibility of chairman obviously as well as reveal the qualifications of "board committee" in detail on the annual disclosure form (form 56-1) which can be download from [www.set.or.th](http://www.set.or.th) and company website [www.forth.co.th](http://www.forth.co.th)

b. Sub-committees

The board of directors has established a sub-committee, being the investigation committee made up of 3 independent directors. Audit committee responsibility in summary is to review financial statement, review company business compliance, review internal control system, reveal inside information disclosure on related party transaction or conflict of interest. The qualification and duty in detail has described in organization structure section in this report.

c. Guide for Remuneration Committee

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.

d. 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 and the chosen one will be in position from nominated date until the AGM meeting 2010.

e. Self-Assessment by the Board of 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.

f. 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.

### Personal

#### Number of employee and remuneration

Number of employee and remuneration exclude board committee and executive level

No.	Company	2008		2007		2006	
		number	Million Baht	number	Million Baht	number	Million Baht
1.	Forth Corporation Public Company limited	987	202.92	1,161	191.95	1,101	179.16
2.	Electronic Source Co,Ltd	144	57.74	132	49.66	120	50.75
3.	Genius Traffic System Co,Ltd	77	31.23	77	24.05	79	21.85
4.	JV Genius	54	9.42	61	9.7	54	6.13
5.	Forth Smart Service Co,Ltd	-	-	-	-	-	-
6.	Thai Industry Water Co,Ltd	1	0.09	-	-	-	-
	<b>Total</b>	<b>1,263</b>	<b>301.4</b>	<b>1,431</b>	<b>275.36</b>	<b>1,354</b>	<b>257.89</b>

Within 3 fiscal year performance, the company did not have any legacy on labor issue which could have negative effect to the firm.

### Professional Development for employee

The company set up training program appropriately for all employee level. The development training program would enhance all employee capability and skill used in operation level in order to ensure effectiveness and safety. The orientation program has established and trains periodically to build a good attitude for organization.

## The shareholder structure

As of December 31, 2008 the Company has an registered share capital of 480.0 million Baht which is 960.0 million of common shares with 0.5 Baht par share and 480 million Baht of paid up common share which is 960.0 million common shares.

### Shareholder list as of 25 Feb 2009

Shareholder Name	Number of shares	%
1. Amatanont Family <sup>(1)</sup>	617,082,000	64.28
2. Mr. Poonsak Siripongpreeda	27,487,800	2.86
3. Mr. Boonyong Ninneunnont	27,226,000	2.84
4. Ms. Mathinee Wandeepirom	24,750,400	2.57
5. Mr. Boonya Tantipanichpun	24,711,400	2.57
6. Mr. Supat Pongrattanakul	19,455,800	2.03
7. Mrs.Tharinee Senchantichai	14,117,500	1.47
8. Mr. Sarawut Pianpitak	11,769,200	1.23
9. Miss Nilobon Arunyapaak	11,528,600	1.2
10. Miss. Boonyanit Ninneunnont	10,691,000	1.11
Others	171,180,300	17.84
<b>Total</b>	<b>960,000,000</b>	<b>100</b>

Notice : <sup>(1)</sup> Amatanont Family

Amatanont Family	Number of shares	%
1. Mr. Poonsak Siripongpreeda	466,744,400	48.62
2. Mr. Kaelic Amatanont	57,924,000	6.03
3. Ms.Wantana Amatanont	57,924,000	6.03
4. Ms.Rangsee Lerttripinyo	34,089,600	3.55
5. Mr. Naris Lerttripinyo	400,000	0.04
<b>Total</b>	<b>617,082,000</b>	<b>64.28</b>

## 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.

For the financial performance in 2008, Board committee meeting1/2009 at 27 Feb 2009 has resolution to omit dividend payout from 1 Jan 2008 to 31 Dec 2008 as a result of net loss operating performance.

# Financial Analysis

## Management Discussion and Analysis

### Operating Performance and Financial Position Analysis

#### Forth Corporations

#### Income Statement

Fiscal Year Ended December 31

<i>(Million baht)</i>	2008	2007	Var Amount	% Var
Sales Revenue	6,312	3,188	3,124	98%
Service Revenue	146	304	(158)	-52%
Revenue from project	1,011	421	590	140%
Other income	12	28	(16)	-57%
<b>Total Revenue</b>	<b>7,481</b>	<b>3,941</b>	<b>3,540</b>	<b>90%</b>
Gross Profit	786	471	315	67%
<b>Operating Profit</b>	<b>38</b>	<b>323</b>	<b>(284)</b>	<b>-88%</b>
<b>NI</b>	<b>(78)</b>	<b>212</b>	<b>(290)</b>	<b>-137%</b>

In 2008, the company's 2008 consolidated total revenue Baht 7,481 million increased Baht 3,540 million compare to 2007 revenue at Baht 3,941 million due to higher revenue from electronic turnkey contract with Western Digital (Thailand) and MSAN projects with TOT public limited. However, the company encounters net loss on year ended 2008 about Baht 78 million, decreased by 136.79% from prior year which has net income at Baht 212 million. The main reason is In YE2008; the provision loss on ERP Project (with Metropolitan Electricity Authority) was Baht 317 million because of additional cost and personnel expense from extended project period.

#### Operating performance for YE2007 - 2008

##### Revenues

At present, The Company's main revenue comes from 8 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 Billboard

(5) Revenue from advertising collection on the genius traffic billboards

(6) Revenue from developing and implementing information system

(7) Revenue from MSAN projects

(8) Revenue from distribution of electronic parts

Table of revenue's structure is the followings

Revenue	Operate by	2008		2007	
		Million Baht	%	Million Baht	%
<b>Revenue Structure</b>					
1. Revenue from manufacturing and sale telecommunication equipment and electronic equipment under brand "FORTH"	FORTH	615	8.22%	343	8.71%
2. Revenue from print circuit board and electronic equipment assembling under the customer brand	FORTH	5,122	68.46%	2,225	56.45%
2.1 Consign Parts		158	2.11%	251	6.37%
2.2 Turn Key		4,964	66.35%	1,974	50.08%
3. Revenue from manufacturing, sale and installation traffic light system and equipment	GTS	367	4.91%	337	8.54%
4. Revenue from manufacturing and sale Electric Billboard	GTS	27	0.36%	287	7.29%
5. Revenue from distribution of electronic parts	ES	577	7.71%	539	13.67%
6. Revenue from advertising collection on the genius traffic billboards	JV	30	0.40%	39	0.99%
7. Revenue from developing and implementing information system	FORTH	-	0.00%	144	3.64%
8. Revenue from MSAN projects	FORTH	732	9.79%	-	0.00%
<b>Total Revenue from main business</b>		<b>7,469</b>	<b>99.84%</b>	<b>3,913</b>	<b>99.30%</b>
Other income		12	0.16%	28	0.70%
<b>Total Revenue</b>		<b>7,481</b>	<b>100.00%</b>	<b>3,941</b>	<b>100.00%</b>

Note

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

The company's consolidated income mainly came from print circuit board and electronic equipments assembling under the customer brand as in 2008, this part of revenue was equal 68.46% compare to 2007 proportion at 56.45 of total revenue as the company received large order volume from Western Digital (Thailand) which has started order since Q1/2007.

The variance analysis on revenue structure in each business

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

In 2008, revenue from manufacturing and sale telecommunication equipment and electronic equipment under brand "FORTH" was Baht 615 million increased Baht 272 million or 79% from 2007 due to higher revenue from Access Node Equipment product group e.g. DSLAM (Digital Subscriber Line Access Multiplexers) ATA (Analog Telephone Adapter) DLC (Digital Loop Carrier) MSAN (Multi Service Access Node)



## **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 consisted of electronic print circuit board, computer print circuit board, telecommunication equipment, electronic equipment and can be divided in to 2 groups : 1) revenue from consign parts is circuit board and electronic assembly , which raw material to consign was provided by customers 2) Revenue from turn key, which Forth conduct on both raw material supply and production process.

In 2008, total revenue from print circuit board and electronic equipment assembling under the customer brand equaled to Baht 5,121 million increased from Baht 2,896 million in 2007 resulted from the orders from Western Digital (Thailand) Co. Ltd. which company has delivered products in amount Baht 4,820 million (Compare to Baht 1,386 Million in 2007).

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

In 2008, company had revenue from manufacturing, sale and installation traffic light system and equipment in amounted Baht 367 million, increased slightly Baht 30 million from 2007 (at Baht 337 Million) due to slowdown on government spending as a result of uncertainly in political situation and the effect from USA and worldwide financial crisis.

## **4. Revenue from manufacturing and sale Electric Billboard**

In 2008, the revenue from manufacturing and sale electric billboard was Baht 27 million decreased Baht 260 million from 2007 which amounted Baht 287 million because in 2007 the company received the purchasing order from the Hello Bangkok Trivision Company Limited at amounted Baht 242 million, while there is no more Hello Bangkok Trivision order.

## **5. Revenue from distribution of electronic parts**

Revenue from distribution of electronic parts comes from the operation of ES which is a subsidiary company was Baht 577 Million in 2008, decreased Baht 38 Million from 2007 resulted from slumping economic condition that negatively affected all business section including electronic industry.

## **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. In 2008, the Joint Venture benefit from granting right to collect advertisements revenue in an amount Bath 31 Million faintly decreased form 2007 at Baht 39 Million from economic downturn effect.

## **7. Revenue from developing and implementing information system**

Revenue from developing and implementing information system was recognized under the percentage-of completion method based on the percentage of the job that is complete calculated by proportion of current cost amount divided by estimated total cost of project. In 2007, the company

recognized revenue from this project in a amount Baht 143 Million but the revenue for these project was not recognized in 2008 because the project has delayed ;however, the project due date can be postpone until June 2009.

#### 8. Revenue from MSAN projects

In 2008, the company has revenue from MSAN project and broadband service installation for 167,500 ports with TOT recognized under the percentage-of completion method in an amount Baht 732 Million. The total project amount is Baht 781 Million, and it was expected to complete in Q1/2009

#### Cost and Expenditure

	2008	2007	Var Amount	% Var
Cost of Good sold	5,829	2,717	3,112	114
Service cost	81	174	(93)	(53)
Project cost	773	343	430	125
SG&A	423	374	49	13
Provision Loss on Project	317	10	307	3,070
Impairment of Genius Billboard	11	-	11	N/A
Other expense	9	-	9	N/A
<b>Total expense</b>	<b>7,443</b>	<b>3,618</b>	<b>3,825</b>	<b>106</b>

#### Cost of good sold, Service Cost, Project Cost

In 2008, company group cost of good sold was equaled to Baht 5,829 Million increase 114% compare to that Baht 2,717 Million in 2007 along with increase in Revenue from print circuit board and electronic equipment assembling under the customer brand, which contributed a high growth rate in revenue even though the profit margin is quite low.

Service cost in 2007 was Baht 81 million compare with Baht 174 million or 53% decrease from last year in similar proportion with decrease in Service revenue.

In 2008 Project cost increased from Baht 343 Million to Baht 773 Million due to higher revenue from MSAN project and broadband service installation.

#### Provision loss on Project

In YE2008, the provision loss on ERP Project (with Metropolitan Electricity Authority) was Baht 317 million, higher than Baht 10 million in YE 2007 because of additional estimated cost from project delay lead to higher total cost compare to total revenue from the whole project .

### Impairment on fixed asset

In 2008, JV Genius has estimated fair value on right to collect the income benefit from advertising on billboard space by discount future cash inflow to present value and found out that present value of the right is lower than book value approximately Baht 11 Million. Therefore, the company recognized Impairment on fixed asset (GTS Billboard) with amount Baht 11 million in P&L statement.

### Financial Status

Million Baht	2008	2007	Var Amount	% Var
Current Asset	3,432	2,878	554	19
Non-current Asset	787	816	(29)	3
<b>Total Asset</b>	<b>4,219</b>	<b>3,694</b>	<b>525</b>	<b>14</b>

As of 31 December 2008, Company group asset was Baht 4,219 Million, increased Baht 525 Million from 2007 due to higher current asset particularly inventory item which increased Baht 460 Million from higher WIP –ERP project together with higher raw material under assembling contract under the customer brand. Total asset Baht 4,219 Million comprise current asset Baht 3,432 Million or approximately 81% of total asset and Non-current asset, which mainly is account receivable in proportion 36% of total asset and inventory in about 30% of total asset. For non-current asset, the amount Baht 787 Million or 19% of total asset including property, plant and equipment, and right to derived benefit from billboard advertising in proportion 18% of total asset.

### Asset quality

#### Account receivable

Account receivable exclude related party as of 31 December 2008 and 2009 were Baht 1,505 Million and Baht 1,492 Million respectively. Company's credit term given to customer was about 30-90 days stipulated in policy. The following table shows account receivable aging in each range:

<b>Account Receivable Aging</b>	<b>2008</b>	<b>2007</b>
Not Due	920	1,012
Due < 1 month	125	309
Due 1-3 months	300	65
Due 3-12 months	107	82
Due > 12 months	89	39
<b>Total</b>	<b>1,541</b>	<b>1,507</b>
<u>Deduct</u> allowance for doubtful	(36)	(15)
<b>Net Account Receivable</b>	<b>1,505</b>	<b>1,492</b>

As of 31 December 2008 and 2007, company recorded allowance for doubtful account in amount Baht 36 Million and Baht 15 Million, respectively. Company estimated an allowance for doubtful accounts based on historical collections or an estimate of the aging of accounts receivable that still uncollectible during the period and economic situation. A firm believed that it has made a sufficient provision in its allowance for doubtful accounts.

#### Inventory

<b>Inventory</b>	<b>2008</b>	<b>2007</b>
Raw Material	319	211
Work in Process (WIP)	884	359
Finished Goods	359	297
Transfer goods	12	10
<b>Total</b>	<b>1,574</b>	<b>877</b>
<u>Deduct</u> allowance for devaluation	(322)	(85)
<b>Total Inventory</b>	<b>1,252</b>	<b>792</b>

As of 31 December 2008 and 2007, the value of the company's inventory totaled Baht 1,252 Million and Baht 792 Million, respectively. the company's inventory grew 58% resulted from higher WIP on ERP project as well as an increase in raw material for consign parts and assembly contract under customer brand. In 2008, the Company has increased the provision for asset losses for Baht 237 million to reflect the inherent increase in loss on ERP information system development project with Metropolitan Electricity Authority (MEA) and the other Baht 9 Million was provisions for impairment losses on other assets according to the specific allowance for impairment losses policy.

A previously provision for ERP project losses was determined based on the present value of estimated costs which is higher than that of estimated revenues. The company is currently in the process of negotiating contracts value on additional module with counterparty; however, In accordance with the conservative accounting approach, company has recognized a loss provision corresponding to an estimated residual value of project asset in entirety amount. In addition, the amount recognized include the total estimated loss on the project in an amount Baht 89 Million, which recorded in “Estimated Liability” on balance sheet as of 31 December 2008.

#### Right to collect benefit from advertising on billboard

JV Genius has encountered operating loss for consecutive 2 years, identifying that the right to collect benefit from advertising on billboard tend to impair. Thus, JV estimated future value from the right and discount back to present value and found that its present value is less than booked value for Baht 11 Million.

#### Source of Fund

##### **Liability**

As at 31 December 2008 and 2007, the company has total liabilities of Baht 3,171 Million and Baht 2,502 Million, respectively, grew 27% from an increase to an existing overdraft account and short-term liability about Baht 490 Million together with an increase in long-term liability for Baht 109 Million to use as working capital turnover.

##### **Shareholders’ equity**

As at 31 December 2008 and 2007, the company shareholders’ equity were Baht 1,048 Million and Baht 1,192 Million, respectively, decreased Baht 144 Million because of loss from operating performance 2008 for Baht 78 Million and paid for last year dividend about Baht 67 Million.

#### Capital Structure Analysis

In 2008, the company’s debt to equity ratio equaled to 3.03, increased from 2007 at 2.1 because greater amount of both short term and long term liability using as operation working capital and since the company reported a loss from operating performance. In addition, because a dividend was paid last year, so the owner equity decrease led to higher D/E ratio.

#### Liquidity

##### Cash Flows

<b>Cash Flow</b>	<b>2008</b>	<b>2007</b>	<b>Increase/Decrease</b>
Cash flow from operations	(419)	(205)	214
Cash flow from investing	(123)	(159)	(36)
Cash flow from financing	551	322	229

In 2008, net cash flow from operating activities increased Baht 214 Million due to a rapid growth of the company business resulting in higher working capital need e.g. purchase and sale transaction, collect and paid activities.

In 2007, net cash flow from investing activities decreased Baht 36 Million from investment in new machine to support a greater Western Digital (Thailand) order.

In 2007, net cash flow from financing activities increases Baht 229 million due to increase in liability for operating fund flow to support company business expansion.

#### Liquidity Ratios

Company's current ratio in 2008 equaled to 1, maintained from 2007. For acid ratio in 2008 equaled to 0.7, slightly decreased from 2007, which was 0.8. Overall, company liquidity ratio is lower due to increase of current asset and current liability to expand business.

#### Audit compensation on 2008

	<b>Company</b>	<b>Audit firm</b>	<b>Audit compensation</b>
1	Forth Corporation Public Company Limited	Ernst & Young Office Limited	1,120,000
2	Other related company		1,720,000
<b>Total audit fee</b>			<b>2,840,000</b>

#### Factors affecting the operating or the future financial status

##### 1. Revenue Uncertainty

Since the manufacturing and assembling of print electronic circuit Boards industry was affected by economic downturn since 2008 slumping consumer demand. The company realizes negative effects so it notify necessary of management inventory by establishing standard such as maintains a smooth production plan with counterparty, reducing the production, reducing OT and working days to balance inventory with demand. In addition, the company focuses more on government project as well as develops new products continuously to diversify operating risk to both existing and other business such as Mobile top up, Ballard electronics which would increase customer base and product lines.

##### 2. Quality of Assets

###### 2.1 Account Receivable

The company encounter a customer credit risk and it control by performing a thorough assessment of credit risk and nature of customer, historical credit records. Moreover, the company also faces with customer concentration risk since company has one large credit customer that amount due is significantly effect company performance. Nonetheless, this customer has performed a good

credit record and never paid overdue. In addition, the company has a lot of government projects due and diversified customer base in subsidiary which could help mitigate risk in overall.

## **2.2 Inventory**

Due to economic downturn effect, the demand of products decrease and company realized that inventory management will be an important tool for electronic industry recession by establishing standard such as maintains a smooth production plan with counterparty, reducing the production, reducing OT and working days to balance inventory with demand.

## **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. The liability in other currency and forward contract as of 31 December 2008 were shown in footnote to financial statement in section 27.1

## **2.4 Liquidity**

The liquidity of the company is quite low due to its loan structure. Most of the loans are of short term such as P/N, account payable with certain credit term whereas current asset includes account receivable, inventory that has lower liquidity. However, the company has closely monitor financial status and repayment schedule to ensure that all debt obligations would be paid off.

For government projects that need Bid Bond, Bid Security, Bid Guarantee in each project, the company has a good creditworthiness with many financial institution to support credit lines for these types of projects and would not affect company liquidity.

From the past, the company could repay all debt obligations and the detail has been described in footnote to financial statement in section 14 and 15.

## Report of Independent Auditor

To the Shareholders of Forth Corporation Public Company Limited

I have audited the accompanying consolidated balance sheet of Forth Corporation Public Company Limited and its subsidiaries as at 31 December 2008, the related consolidated statements of income, changes in shareholder's equity and cash flows for the year then ended, and the separate financial statements of Forth Corporation Public Company Limited for the same period. 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 audit. The financial statements of Forth Corporation Public Company Limited as at 31 December 2007 and for the year then ended, as presented herein for comparative purposes, were audited by another auditor of our firm who, under his report dated 28 February 2008, expressed an unqualified opinion on those statements.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides 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 2008, and the results of their operations, and cash flows for the year then ended in accordance with generally accepted accounting principles.



Siraporn Ouaanunkun

Certified Public Accountant (Thailand) No. 3844

Ernst & Young Office Limited

Bangkok: 27 February 2009



**Forth Corporation Public Company Limited and its subsidiaries**

**Balance sheets**

**As at 31 December 2008 and 2007**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents		45,370,456	36,145,831	11,420,076	19,157,912
Trade accounts receivable - related parties	6	25,145,216	32,005,940	269,028,711	328,861,021
Trade accounts receivable - net	7	1,505,320,375	1,491,638,777	1,162,797,420	1,136,854,012
Short-term loans to subsidiaries	6	-	-	109,269,009	93,585,118
Inventories - net	8	1,252,162,110	792,303,589	983,983,020	587,528,429
Unbilled receivables		460,720,925	362,788,140	355,111,607	206,902,152
Other current assets		142,780,404	163,287,217	127,180,587	140,380,349
<b>Total current assets</b>		<b>3,431,499,486</b>	<b>2,878,169,494</b>	<b>3,018,790,430</b>	<b>2,513,268,993</b>
<b>Non-current assets</b>					
Restricted bank deposits	9	-	8,667,545	-	3,439,575
Investments in subsidiaries	10	-	-	120,452,100	78,242,100
Investments in associates	11	8,918,859	5,837,268	14,659,024	11,259,324
Property, plant and equipment - net	12	617,942,158	604,706,362	539,279,725	557,684,725
Right to derive benefit from the traffic boards	13	150,661,508	188,102,186	-	-
Computer software - net		3,551,372	2,528,101	3,551,372	2,528,101
Leasehold right - net		742,500	993,409	742,500	993,409
Other non-current assets		5,583,840	5,348,035	3,260,940	3,056,522
<b>Total non-current assets</b>		<b>787,400,237</b>	<b>816,182,906</b>	<b>681,945,661</b>	<b>657,203,756</b>
<b>Total assets</b>		<b>4,218,899,723</b>	<b>3,694,352,400</b>	<b>3,700,736,091</b>	<b>3,170,472,749</b>

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 2008 and 2007**

(Unit: Baht)

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		2008	2007	2008	2007
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Bank overdrafts and short-term loans from financial institutions	14	1,544,847,489	1,054,721,439	1,284,847,489	907,057,360
Trade accounts payable - related parties	6	3,123,127	37,674	73,120,570	45,219,729
Trade accounts payable		1,263,957,810	1,337,397,054	1,183,777,681	1,211,357,999
Short-term loans and advance payment from related parties	6	9,291,207	-	-	-
Current portion for long-term loans	15	54,468,000	6,792,000	54,468,000	6,792,000
Provision for expected loss from project	16	89,229,231	-	89,229,231	-
Other current liabilities					
Accrued expenses		54,368,198	19,474,127	43,944,321	10,579,457
Corporate income tax payable		11,984,637	15,933,407	6,194,354	3,826,595
Deposit from customer		6,350,032	9,271,806	6,350,032	9,271,806
Others		34,054,191	20,774,918	18,120,967	8,051,316
<b>Total current liabilities</b>		<u>3,071,673,922</u>	<u>2,464,402,425</u>	<u>2,760,052,645</u>	<u>2,202,156,262</u>
<b>Non-current liabilities</b>					
Long-term loans, net of current portion	15	<u>99,099,625</u>	<u>37,401,625</u>	<u>99,099,625</u>	<u>37,401,625</u>
<b>Total non-current liabilities</b>		<u>99,099,625</u>	<u>37,401,625</u>	<u>99,099,625</u>	<u>37,401,625</u>
<b>Total liabilities</b>		<u>3,170,773,547</u>	<u>2,501,804,050</u>	<u>2,859,152,270</u>	<u>2,239,557,887</u>

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 2008 and 2007**

		(Unit: Baht)			
		<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	Note	2008	2007	2008	2007
<b>Shareholders' equity</b>					
Share capital	17				
Registered					
960,000,000 ordinary shares of Baht 0.5 each (31 December 2007: 515,000,000 ordinary shares of Baht 1 each)		<u>480,000,000</u>	<u>515,000,000</u>	<u>480,000,000</u>	<u>515,000,000</u>
Issued and fully paid up					
960,000,000 ordinary shares of Baht 0.5 each (31 December 2007: 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 subsidiaries arising as a result of the Company swapping shares of subsidiaries at a price lower than the net book value of of the subsidiaries at the acquisition date		40,891,171	40,891,171	-	-
Retained earnings (deficit)					
Appropriated-statutory reserve	18	17,453,096	17,453,096	17,453,096	17,453,096
Unappropriated		<u>146,727,534</u>	<u>291,646,206</u>	<u>(18,427,152)</u>	<u>70,903,889</u>
Equity attributable to the Company's shareholders		1,047,629,678	1,192,548,350	841,583,821	930,914,862
Minority interest - equity attributable to minority shareholders of subsidiaries		<u>496,498</u>	-	-	-
<b>Total shareholders' equity</b>		<u>1,048,126,176</u>	<u>1,192,548,350</u>	<u>841,583,821</u>	<u>930,914,862</u>
<b>Total liabilities and shareholders' equity</b>		<u>4,218,899,723</u>	<u>3,694,352,400</u>	<u>3,700,736,091</u>	<u>3,170,472,749</u>

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 2008 and 2007**

		(1 Unit: Baht)			
		Consolidated financial statements		Separate financial statements	
	Note	2008	2007	2008	2007
<b>Revenues</b>					
Sales		6,312,740,303	3,188,009,702	5,683,157,673	2,502,979,968
Services		145,869,032	304,133,076	118,661,988	266,862,318
Revenues from project construction		1,010,878,943	421,208,281	732,400,855	143,514,478
Other income					
Dividend income		-	-	49,999,880	34,999,880
Gain on exchange		-	11,771,122	-	7,092,919
Reversal of allowance for impairment of investments in associates		-	-	3,399,700	-
Others		<u>12,007,792</u>	<u>15,850,408</u>	<u>17,470,980</u>	<u>21,626,644</u>
<b>Total revenues</b>		<u>7,481,496,070</u>	<u>3,940,972,589</u>	<u>6,605,091,076</u>	<u>2,977,076,207</u>
<b>Expenses</b>					
Cost of sales		5,829,277,791	2,717,261,125	5,382,988,403	2,313,778,365
Cost of services		80,984,266	173,665,875	49,836,814	141,111,722
Cost of project construction		773,048,819	342,800,200	557,421,816	131,480,452
Selling expenses		57,215,029	52,561,649	33,753,833	27,985,328
Administrative expenses		334,773,374	299,009,341	191,690,543	165,541,516
Loss on project	8 16	317,350,229	9,649,482	317,350,229	9,649,482
Doubtful accounts		21,677,619	7,239,861	900,619	2,388,300
Loss on diminution in value of inventories		9,012,948	16,281,359	-	4,950,218
Loss on impairment of assets	13	10,885,075	-	-	-
Loss on exchange		<u>9,020,364</u>	<u>-</u>	<u>8,527,487</u>	<u>-</u>
<b>Total expenses</b>		<u>7,443,245,514</u>	<u>3,618,468,892</u>	<u>6,542,469,744</u>	<u>2,796,885,383</u>
<b>Income before financial cost and corporate income tax</b>		38,250,556	322,503,697	62,621,332	180,190,824
Financial cost		(71,361,228)	(49,923,809)	(59,110,494)	(39,172,590)
Share of income (loss) from investments in associates		<u>3,081,592</u>	<u>(5,422,057)</u>	<u>-</u>	<u>-</u>
<b>Income (loss) before corporate income tax</b>		(30,029,080)	267,157,831	3,510,838	141,018,234
Corporate income tax	20	<u>(47,983,094)</u>	<u>(55,244,517)</u>	<u>(25,641,879)</u>	<u>(26,956,912)</u>
<b>Net income (loss) for the year</b>		<u>(78,012,174)</u>	<u>211,913,314</u>	<u>(22,131,041)</u>	<u>114,061,322</u>
<b>Net income attributable to:</b>					
Equity holders of the parent		(77,718,672)	211,913,314	<u>(22,131,041)</u>	<u>114,061,322</u>
Minority interests of the subsidiaries		<u>(293,502)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(78,012,174)</u>	<u>211,913,314</u>	<u>-</u>	<u>-</u>
<b>Earnings per share</b>					
22					
Basic earnings per share					
Net income (loss) net from equity holders of the parent		<u>(0.08)</u>	<u>0.22</u>	<u>(0.02)</u>	<u>0.12</u>
Weighted average number of ordinary shares (Shares)		<u>960,000,000</u>	<u>960,000,000</u>	<u>960,000,000</u>	<u>960,000,000</u>

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 2008 and 2007**

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	2008	2007	2008	2007
<b>Cash flows from operating activities</b>				
Net income (loss) before taxes	(30,029,080)	267,157,831	3,510,838	141,018,234
Adjustments to reconcile net income (loss) before taxes to net cash provided by (paid from) operating activities:				
Depreciation	108,638,530	99,598,610	93,923,777	84,899,987
Amortisation for leasehold right and others	1,651,748	2,884,893	626,933	1,039,240
Amortisation for intangible assets	26,555,603	26,555,603	-	-
Doubtful accounts	21,677,619	7,239,861	900,619	2,388,300
Loss on diminution in value of inventories	9,012,948	16,281,359	-	4,950,218
Loss on project	317,350,229	9,649,482	317,350,229	9,649,482
Loss on impairment of assets	10,885,075	-	-	-
Unrealised (gain) loss on exchange	4,075,977	(1,472,766)	3,823,014	(1,281,597)
(Gain)loss on sales of property, plant and equipment	(591,569)	67,374	(1,470,537)	146,963
Realised from deferred income	-	(10,833,333)	-	-
Reversal of allowance for impairment of investments in associates	-	-	(3,399,700)	-
Share of (income) loss from investments in associates	(3,081,592)	5,422,057	-	-
Dividend income from subsidiaries	-	-	(49,999,880)	(34,999,880)
Interest expenses	65,229,343	45,832,686	54,651,105	36,658,449
Income for operating activities before changes in operating assets and liabilities	531,374,831	468,383,657	419,916,398	244,469,396
Operating assets (increase) decrease:				
Trade accounts receivable - related parties	6,860,723	(14,560,235)	59,832,309	(116,825,652)
Trade accounts receivable	(35,297,832)	(1,060,270,301)	(26,782,641)	(874,045,658)
Inventories	(696,992,467)	(172,201,910)	(624,575,589)	(161,672,722)
Unbilled receivables	(99,326,109)	(213,229,844)	(148,209,455)	(143,514,478)
Other current assets	25,647,584	(108,972,263)	14,207,163	(99,612,381)
Other non-current assets	(235,805)	(147,538)	(204,418)	(200,000)
Operating liabilities increase (decrease):				
Trade accounts payable-related parties	3,085,453	(1,016,299)	27,900,841	17,292,948
Trade accounts payable	(78,705,702)	1,026,122,575	(32,472,120)	983,506,532
Accrued expenses	34,916,373	(7,403,259)	32,314,834	(5,781,858)
Deposit from customer	(2,921,774)	(7,884,008)	(2,921,774)	(7,884,008)
Other current liabilities	13,188,924	14,729,927	9,979,528	12,344,320
Cash flows used in operating activities	(298,405,801)	(76,449,498)	(271,014,924)	(151,923,561)
Cash paid for interest expenses	(63,883,732)	(43,637,076)	(53,510,951)	(34,428,386)
Cash paid for corporate income tax	(56,686,804)	(85,204,539)	(23,274,120)	(51,747,258)
<b>Net cash flows used in operating activities</b>	<b>(418,976,337)</b>	<b>(205,291,113)</b>	<b>(347,799,995)</b>	<b>(238,099,205)</b>

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 2008 and 2007**

(1 Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	2008	2007	2008	2007
<b>Cash flows from investing activities</b>				
Proceeds from sales of property, plant and equipment	1,473,280	732,050	3,818,477	645,134
Acquisition of property, plant and equipment	(123,050,362)	(151,735,125)	(78,161,041)	(144,194,136)
Acquisition of computer software	(1,104,970)	-	(1,104,970)	-
Cash received from dividend of subsidiaries	-	-	49,999,880	34,999,880
Increase in short-terms loan to subsidiaries	-	-	(15,683,891)	(38,976,877)
Increase in investments in subsidiaries	-	-	(42,210,000)	(4,900,000)
Increase in investments in associates	-	(6,750,000)	-	(6,750,000)
Increase in leasehold right	-	(945,000)	-	(945,000)
<b>Net cash flows used in investing activities</b>	<b>(122,682,052)</b>	<b>(158,698,075)</b>	<b>(83,341,545)</b>	<b>(160,120,999)</b>
<b>Cash flows from financing activities</b>				
Decrease in restricted bank deposits	8,667,545	63,205,053	3,439,575	66,480,053
Increase in bank overdrafts and short-term loans from financial institutions	490,126,050	413,991,652	377,790,129	439,170,443
Cash receipt from long-term loans	130,000,000	-	130,000,000	-
Repayment of long-term loans	(20,626,000)	(6,792,000)	(20,626,000)	(6,792,000)
Increase in short-term loans and advance payment from related parties	9,125,419	-	-	-
Dividend paid	(67,200,000)	(148,800,000)	(67,200,000)	(148,800,000)
Increase in capital received from minority shareholders	790,000	-	-	-
<b>Net cash flows from financing activities</b>	<b>550,883,014</b>	<b>321,604,705</b>	<b>423,403,704</b>	<b>350,058,496</b>
<b>Net increase (decrease) in cash and cash equivalent</b>	<b>9,224,625</b>	<b>(42,384,483)</b>	<b>(7,737,836)</b>	<b>(48,161,708)</b>
Cash and cash equivalents at beginning of year	36,145,831	78,530,314	19,157,912	67,319,620
<b>Cash and cash equivalents at end of year</b>	<b>45,370,456</b>	<b>36,145,831</b>	<b>11,420,076</b>	<b>19,157,912</b>
	-	-	-	-

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 2008 and 2007**

(Unit: Baht)

Consolidated financial statements								
Equity attributable to the parent's shareholders								
	Issued and fully paid-up share capital	Share premium	Retained earnings of subsidiaries arising as a result of the Company swapping shares of subsidiaries at a price lower than the net book value of the subsidiaries at the acquisition date	Retained earnings		Total equity attributable to the parent's shareholders	Minority interest - equity attributable to minority shareholders of subsidiaries	Total
				Appropriated	Unappropriated			
				Statutory reserve				
<b>Balance as at 31 December 200</b>	480,000,000	362,557,877	40,891,171	11,750,030	234,235,958	1,129,435,036	-	1,129,435,036
Net income for the year	-	-	-	-	211,913,314	211,913,314	-	211,913,314
Unappropriated retained earnings transferred to statutory reserve	-	-	-	5,703,066	(5,703,066)	-	-	-
Dividend paid (Note 25)	-	-	-	-	(148,800,000)	(148,800,000)	-	(148,800,000)
<b>Balance as at 31 December 200</b>	<b>480,000,000</b>	<b>362,557,877</b>	<b>40,891,171</b>	<b>17,453,096</b>	<b>291,646,206</b>	<b>1,192,548,350</b>	<b>-</b>	<b>1,192,548,350</b>
<b>Balance as at 31 December 200</b>	480,000,000	362,557,877	40,891,171	17,453,096	291,646,206	1,192,548,350	-	1,192,548,350
Net loss for the year	-	-	-	-	(77,718,672)	(77,718,672)	(293,502)	(78,012,174)
Dividend paid (Note 25)	-	-	-	-	(67,200,000)	(67,200,000)	-	(67,200,000)
Addition investment in subsidiaries	-	-	-	-	-	-	790,000	790,000
<b>Balance as at 31 December 200</b>	<b>480,000,000</b>	<b>362,557,877</b>	<b>40,891,171</b>	<b>17,453,096</b>	<b>146,727,534</b>	<b>1,047,629,678</b>	<b>496,498</b>	<b>1,048,126,176</b>

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 2008 and 2007**

(Unit: Baht)

	Separate financial statements				
	Issued and fully paid-up share capital	Share premium	Retained earnings (deficit)		Total
			Appropriated Statutory reserve	Unappropriated	
<b>Balance as at 31 December 2006</b>	480,000,000	362,557,877	11,750,030	111,345,633	965,653,540
Net income for the year	-	-	-	114,061,322	114,061,322
Unappropriated retained earnings transferred to statutory reserve	-	-	5,703,066	(5,703,066)	-
Dividend paid (Note 25)	-	-	-	(148,800,000)	(148,800,000)
<b>Balance as at 31 December 2007</b>	<u>480,000,000</u>	<u>362,557,877</u>	<u>17,453,096</u>	<u>70,903,889</u>	<u>930,914,862</u>
<b>Balance as at 31 December 2007</b>	480,000,000	362,557,877	17,453,096	70,903,889	930,914,862
Net loss for the year	-	-	-	(22,131,041)	(22,131,041)
Dividend paid (Note 25)	-	-	-	(67,200,000)	(67,200,000)
<b>Balance as at 31 December 2008</b>	<u>480,000,000</u>	<u>362,557,877</u>	<u>17,453,096</u>	<u>(18,427,152)</u>	<u>841,583,821</u>

The accompanying notes are an integral part of the financial statements



**1. General information**

**1.1 Corporate 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.

**1.2 Economic crisis**

The financial crisis experienced by the United States of America over the past year has had a far reaching adverse effect on the global economy as evidenced by sharp falls in share prices worldwide, a tight squeeze on credit including interbank lending, failures of large financial institutions and reduced consumer confidence. The crisis has substantially affected the business and financial plans of Thailand enterprises and asset value. Despite efforts made by governments of many countries to contain the crisis, it remains uncertain as to when the global economy will return to normalcy. These financial statements have been prepared on the bases of facts currently known to the Company, and on estimates and assumptions currently considered appropriate. However, they could be adversely affected by an array of future events.

**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 and their presentation 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 in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from such financial statements in Thai language.

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 (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholdings		Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the year ended 31 December	
			2008	2007	2008	2007	2008	2007
			(%)	(%)	(%)	(%)	(%)	(%)
Electronics Source Co., Ltd.	Trading of electronic parts	Thailand	100	100	8	8	9	14
Genius Traffic System Co., Ltd.	Sale and installation of light boards and traffic systems	Thailand	100	100	11	14	5	16
Joint Venture Genius	Concession for traffic board project	Thailand	100	100	4	6	-	1
Thai Industrial Water Co., Ltd.	Distribution raw water for industrial use	Thailand	70	-	1	-	-	-
Forth Smart Service Co., Ltd.	Payment service via automatic teller machines	Thailand	51	-	-	-	-	-

- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent significant accounting policies.
- d) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- e) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.

- f) The excess of book value of net assets acquired in subsidiaries under common control over the price at which they were exchanged is presented in shareholders' equity in the consolidated balance sheets under the caption "Retained earnings of subsidiaries arising as a result of the Company swapping shares of subsidiaries at a price lower than the net book value of the subsidiaries at the acquisition date".
- g) 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' 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 its subsidiary	Status
Joint Venture KNVG Service	Sale and installation of traffic lights	10	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 recognized in its financial statements and included in the consolidated financial statements.

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

### 3. Adoption of new accounting standards

#### 3.1 Accounting standards which are effective for the current year

The Federation of Accounting Professions has issued Notification No. 9/2550, 38/2550 and 62/2550 mandating the use of new accounting standards as follows:

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 become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these standards and believes that TAS 49 is not relevant to the business of the Company, while TAS 25, TAS 29, TAS 31, TAS 33, TAS 35, TAS 39, TAS 41, TAS 43 and TAS 51 do not have any significant impact on the financial statements for the current year.

#### 3.2 Accounting standards which are not effective for the current year

The Federation of Accounting Professions has also issued Notification No. 86/2551 mandating the use of the following new accounting standards:

TAS 36 (revised 2007)	Impairment of Assets
TAS 54 (revised 2007)	Non-current Assets Held for Sale and Discontinued Operations

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these 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. Significant accounting policies**

##### **4.1 Revenues recognition**

###### *Sales of goods*

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

###### *Rendering of services*

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

###### *Revenues from project construction*

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

##### **4.2 Costs of project construction/ Expenses**

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

Other expenses are recognized on an accrual basis.

##### **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 realizable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

##### **4.5 Inventories**

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

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

#### 4.6 Investments

- a) Investments in joint ventures and associates are accounted for in the consolidated financial statements using the equity method.
- b) Investments in subsidiaries, joint ventures and associates are accounted for in the separate financial statements using the cost method.

#### 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 amortization

Intangible assets acquired in a business combination are recognized at fair value on the date of acquisition. Other acquired intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite lives are amortized on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method of such intangible assets are reviewed at least at each financial year end. The amortization expense is charged to the income statement.

A summary of the intangible assets with finite useful lives is as follows:

Right to derive benefit from traffic boards	9 years
Computer software	10 years

The amortization 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**

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the balance sheet date, with the exception of those covered by forward exchange contracts, which are translated at the contracted rates.

Gains and losses on exchange are included in determining income.

#### **4.11 Impairment of assets**

At each reporting date, the Company performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognized when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognized in the income statement.

#### **4.12 Employee benefits**

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

#### **4.13 Provisions**

Provisions are recognized when the Company and its subsidiaries have 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 in the accounts based on taxable profits determined in accordance with tax legislation.

### **5. Significant accounting judgments and estimates**

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

#### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

#### **Property, plant and equipment/Depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company's plant and equipment and to review estimate useful lives and salvage values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

#### **Intangible assets**

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

#### **Estimation for expected loss from project**

In determining the expected loss from a project, the management needs to exercise judgment when estimating costs and related expenses of the above project. Whenever it is probable that a project will incur a loss, the Company will record provision for the expected loss on the project.

### **6. Related party transactions**

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarized below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.



(Unit: Million Baht)

		For the years ended 31 December			
		Consolidated		Separate	
		financial statements		financial statements	
Transfer pricing policy		2008	2007	2008	2007
<u>Transactions with subsidiaries</u>					
(Eliminated in consolidated financial statements)					
Purchases of raw materials	Compared to market price	-	-	88.3	70.6
Sales of goods	Compared to market price	-	-	62.2	200.2
Service income	Compared to market price	-	-	3.4	2.2
Management fee	Contract price	-	-	0.4	0.5
Interest income	Interest at 3.95-5.75% per annum	-	-	3.4	3.1
Rental income	Contract price	-	-	3.3	5.1
Selling and administrative expense	Contract price	-	-	2.7	-
<u>Transactions with related parties</u>					
Purchases of raw materials	Compared to market price	14.3	12.8	14.1	12.8
Sales of goods	Compared to market price	18.7	21.1	16.1	20.6
Service income	Compared to market price	0.7	-	0.7	-
Rental income	Contract price	0.6	0.7	0.6	0.7
Service cost	Contract price	3.2	-	3.2	-
<u>Transactions with directors and related individuals</u>					
Rental expenses	Contract price	2.4	1.0	1.6	0.6

The balances of the accounts as at 31 December 2008 and 2007 between the Company and those related parties are as follows:

		(Unit: Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
Relationship		2008	2007	2008	2007
<u>Trade accounts receivable - related parties</u>					
Electronics Source Co., Ltd.	Subsidiary	-	-	1,199,617	364,918
Genius Traffic System Co., Ltd.	Subsidiary	-	-	242,744,783	298,866,564
Joint Venture Genius	Subsidiary	-	-	-	68,430
Genius Electronic Meter Co., Ltd.	Associated company	16,040,440	12,316,863	15,979,535	12,308,508

		(Unit: Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
	Relationship	2008	2007	2008	2007
Forth Tracking System Co., Ltd.	Associated company	9,104,776	16,929,101	9,104,776	16,927,999
Genius Electronic Transformer Co., Ltd.	Formerly had common shareholders	-	324,602	-	324,602
Others		-	2,435,374	-	-
<b>Total</b>		<b>25,145,216</b>	<b>32,005,940</b>	<b>269,028,711</b>	<b>328,861,021</b>

#### Short-term loans to subsidiaries

Genius Traffic System Co., Ltd.	Subsidiary	-	-	82,694,881	93,585,118
Thai Industrial Water Co., Ltd.	Subsidiary	-	-	26,574,128	-
<b>Total</b>		<b>-</b>	<b>-</b>	<b>109,269,009</b>	<b>93,585,118</b>

#### Trade accounts payable - related parties

Electronics Source Co., Ltd.	Subsidiary	-	-	66,623,023	42,496,440
Genius Traffic System Co., Ltd.	Subsidiary	-	-	3,698,297	2,685,615
Joint Venture Genius	Subsidiary	-	-	321,000	-
Genius Electronic Meter Co., Ltd.	Associated company	2,553,167	37,674	2,478,250	37,674
Others		569,960	-	-	-
<b>Total</b>		<b>3,123,127</b>	<b>37,674</b>	<b>73,120,570</b>	<b>45,219,729</b>

#### Short-term loans and advance payment from related parties

Minority shareholder of subsidiary	8,915,788	-	-	-
Advance from directors	375,419	-	-	-
<b>Total</b>	<b>9,291,207</b>	<b>-</b>	<b>-</b>	<b>-</b>

During 2008, movements of short-term loans to related parties were as follow:

	Balance	During the year		Balance
	as at			as at
	1 January 2008	Increase	Decrease	31 December 2008
(Unit: Baht)				
<b>Short-term loans to subsidiaries</b>				
Genius Traffic System Co., Ltd.	93,585,118	98,109,763	(109,000,000)	82,694,881
Thai Industrial Water Co., Ltd.	-	26,574,128	-	26,574,128
<b>Total</b>	<b>93,585,118</b>	<b>124,683,891</b>	<b>(109,000,000)</b>	<b>109,269,009</b>

#### Directors and management's remuneration

In 2008 the Company and its subsidiaries paid salaries, bonus, meeting allowances and gratuities to their directors and management totaling Baht 31.2 million (The Company only: Baht 21.2 million) (2007: Baht 28.7 million, The Company only: Baht 19.3 million).

#### Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 26.2 to the financial statements.

### 7. Trade accounts receivable

The balances of trade accounts receivable as at 31 December 2008 and 2007, aged on the basis of due dates, are summarized below.

	(Unit: Baht)			
	Consolidated	financial	Separate	financial
	statements		statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b><u>Age of receivables</u></b>				
Not yet due	919,877,389	1,012,052,141	834,719,337	829,033,589
Past due				
Less than 1 month	125,153,610	309,377,070	21,956,294	208,513,493
1 - 3 months	299,771,850	64,774,616	281,528,146	37,005,997
3 - 12 months	106,682,265	81,688,879	17,395,040	37,076,333
Over 12 months	89,266,913	38,917,690	14,314,476	31,439,855
Total	1,540,752,027	1,506,810,396	1,169,913,293	1,143,069,267
Less: Allowance for doubtful debts	(35,431,652)	(15,171,619)	(7,115,873)	(6,215,255)
Trade accounts receivable, net	<u>1,505,320,375</u>	<u>1,491,638,777</u>	<u>1,162,797,420</u>	<u>1,136,854,012</u>

Included in trade accounts receivable balances as of 31 December 2008, are accounts receivable balances of Baht 202 million from the project enterprise resources planning services provided to the Metropolitan Electricity Authority. The management believes that the Company has performed in accordance with the conditions in the contract throughout, and believes that the Company will be able to collect the total outstanding debts.

## 8. Inventories

(Unit: Baht)

Consolidated financial statements						
	Cost		Allowance of diminution in value of inventory		Inventory-net	
	2008	2007	2008	2007	2008	2007
Raw materials	319,156,110	210,623,589	(20,178,725)	(19,958,462)	298,977,385	190,665,127
Work in process	228,108,898	210,633,454	(11,693,413)	(10,934,600)	216,415,485	199,698,854
Projects in progress	656,529,368	148,417,195	(237,770,480)	(9,649,482)	418,758,888	138,767,713
Finished goods	358,595,107	297,619,302	(52,936,547)	(44,902,676)	305,658,560	252,716,626
Goods in transit	12,351,792	10,455,269	-	-	12,351,792	10,455,269
<b>Total</b>	<b>1,574,741,275</b>	<b>877,748,809</b>	<b>(322,579,165)</b>	<b>(85,445,220)</b>	<b>1,252,162,110</b>	<b>792,303,589</b>

(Unit: Baht)

Separate financial statements						
	Cost		Allowance of diminution in value of inventory		Inventory-net	
	2008	2007	2008	2007	2008	2007
Raw materials	300,127,188	181,423,059	(16,146,591)	(16,146,591)	283,980,597	165,276,468
Work in process	202,474,133	184,678,062	(4,479,785)	(4,479,785)	197,994,348	180,198,277
Projects in progress	646,109,350	148,417,195	(237,770,480)	(9,649,482)	408,338,870	138,767,713
Finished goods	106,221,985	116,676,085	(23,845,383)	(23,845,383)	82,376,602	92,830,702
Goods in transit	11,292,603	10,455,269	-	-	11,292,603	10,455,269
<b>Total</b>	<b>1,266,225,259</b>	<b>641,649,670</b>	<b>(282,242,239)</b>	<b>(54,121,241)</b>	<b>983,983,020</b>	<b>587,528,429</b>

Included in the balance of inventories as of 31 December 2008 are additional costs of project enterprise resources planning services incurred up to 31 December 2008 under the agreement made with the Metropolitan Electricity Authority, amounting to Baht 238 million. The Company is in the process to negotiate and request for adjustment of the contract value for the additional work with Metropolitan Electricity Authority. However for the prudent reason, the Company has set up allowance for all of non-recoverable project costs in the accounts.

In addition, during the year the Company had also estimated expected loss for the project, amounting to Baht 89 million as mentioned in Note 16 to the financial statements.

## 9. Restricted bank deposits

These represent fixed deposits which the Company and its subsidiaries pledged with the banks to secure credit facilities.

## 10. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

(Unit: Baht)

Company's name	Separate financial statements							
	Shareholding		Paid-up capital		Cost		Dividend received	
	percentage						during the year	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(%)	(%)	(Thousand Baht)					
Electronics Source Co., Ltd.	100	100	50,000	50,000	54,975,800	54,975,800	9,999,880	9,999,880
Genius Traffic System Co., Ltd.	100	100	50,000	10,000	50,056,300	10,056,300	40,000,000	25,000,000
Joint Venture Genius (20% held by the Company and 80% held by its subsidiary)	100	100	71,050	66,050	14,210,000	13,210,000	-	-
Thai Industrial Water Co., Ltd.	70	-	1,000	-	700,000	-	-	-
Forth Smart Service Co., Ltd.	51	-	1,000	-	510,000	-	-	-
<b>Total investments in subsidiaries</b>					<b>120,452,100</b>	<b>78,242,100</b>	<b>49,999,880</b>	<b>34,999,880</b>

## 11. Investments in associates

### 11.1 Details of associates:

(Unit: Baht)

Company's name (Nature of business)	Country of incorporation	Consolidated financial statements					
		Shareholding		Cost		Carrying amounts based	
		percentage				on equity method	
		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
		(%)	(%)				
Genius Electronic Meter Co., Ltd. (Distribution of electronic meter)	Thailand	45	45	18,000,000	18,000,000	3,456,649	5,837,268
Forth Tracking System Co., Ltd. (Distribution of vehicle tracking equipment)	Thailand	34	34	3,399,700	3,399,700	5,462,210	-
<b>Total</b>				<b>21,399,700</b>	<b>21,399,700</b>	<b>8,918,859</b>	<b>5,837,268</b>

(Unit: Baht)

Company's name (Nature of business)	Country of incorporation	Shareholding percentage		Separate financial statements				Carrying amounts based on cost method - net	
		2008 (%)	2007 (%)	Cost		Provision for impairment of investments		2008	2007
				2008	2007	2008	2007		
Genius Electronic Meter Co., Ltd. (Distribution of electronic meter)	Thailand	45	45	18,000,000	18,000,000	(6,740,676)	(6,740,676)	11,259,324	11,259,324
Forth Tracking System Co., Ltd. (Distribution of vehicle tracking equipment)	Thailand	34	34	3,399,700	3,399,700	-	(3,399,700)	3,399,700	-
Total							(10,140,376)		
				<u>21,399,700</u>	<u>21,399,700</u>	<u>(6,740,676)</u>	<u>)</u>	<u>14,659,024</u>	<u>11,259,324</u>

### 11.2 Share of income/loss and dividend received

During the years, the Company recognized its share of net income/loss from investments in associates in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of income (loss) from investments in associates during the year		Dividend received during the year	
	2008	2007	2008	2007
Genius Electronic Meter Co., Ltd.	(2,380,618)	(5,422,057)	-	-
Forth Tracking System Co., Ltd.	5,462,210	-	-	-
Total	<u>3,081,592</u>	<u>(5,422,057)</u>	<u>-</u>	<u>-</u>

### 11.3 Summarized financial information of associates

(Unit: Million Baht)

Company's name	Paid-up capital as at		Total assets as at		Total liabilities as at		Total revenues for the years ended 31 December		Net income (loss) for the years ended 31 December	
	31 December	31 December	31 December	31 December	31 December	31 December	2008	2007	2008	2007
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Genius Electronic Meter Co., Ltd.	40	40	30	33	22	20	27	14	(6)	(10)
Forth Tracking System Co., Ltd.	10	10	31	27	15	29	66	38	19	0.4

## 12. 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
<b>Cost</b>									
31 December 2007	194,295,460	192,720,773	548,679,241	100,174,097	80,901,797	59,877,401	18,131,068	1,047,524	1,195,827,361
Additions	36,374,419	17,740,740	23,301,707	15,076,208	12,734,059	9,313,987	8,509,242	-	123,050,362
Disposals	-	-	(13,147,329)	(115,141)	(654,690)	(2,175,609)	(1,799,667)	-	(17,892,436)
Transferred in/(Transferred out)	-	23,578,009	-	-	(630,200)	2,500,000	(23,578,009)	-	1,869,800
31 December 2008	230,669,879	234,039,522	558,833,619	115,135,164	92,350,966	69,515,779	1,262,634	1,047,524	1,302,855,087
<b>Accumulated depreciation</b>									
31 December 2007	-	52,666,519	393,026,747	51,453,677	55,540,406	38,433,650	-	-	591,120,999
Depreciation for the year	-	16,021,275	59,485,352	15,299,276	9,504,409	8,328,218	-	-	108,638,530
Depreciation on disposals	-	-	(13,134,712)	(113,751)	(563,453)	(3,198,809)	-	-	(17,010,725)
Transferred in/(Transferred out)	-	-	-	-	(335,874)	2,499,999	-	-	2,164,125
31 December 2008	-	68,687,794	439,377,387	66,639,202	64,145,488	46,063,058	-	-	684,912,929
<b>Net book value</b>									
31 December 2007	194,295,460	140,054,254	155,652,494	48,720,420	25,361,393	21,443,751	18,131,068	1,047,524	604,706,362
31 December 2008	230,669,879	165,351,728	119,456,232	48,495,962	28,205,478	23,452,721	1,262,634	1,047,524	617,942,158
<b>Depreciation charges for the years as included in the income statements</b>									
2007									99,598,610
2008									108,638,530

(Unit: Baht)

	Separate financial statements							Total
	Land	Building	Machinery	Tools and equipment	Office equipment	Motor vehicles	Building under construction	
<b>Cost</b>								
31 December 2007	194,295,460	188,140,703	522,953,267	78,235,931	56,258,048	39,745,919	16,868,434	1,096,497,762
Additions	-	17,740,740	21,403,342	11,552,059	9,275,545	9,680,113	8,509,242	78,161,041
Disposals	-	-	(13,147,328)	(115,141)	(534,596)	(3,093,310)	(1,799,667)	(18,690,042)
Transferred in/(Transferred out)	-	23,578,009	-	-	(630,200)	2,500,000	(23,578,009)	1,869,800
31 December 2008	194,295,460	229,459,452	531,209,281	89,672,849	64,368,797	48,832,722	-	1,157,838,561
<b>Accumulated depreciation</b>								
31 December 2007	-	51,060,982	380,518,433	43,747,204	37,765,206	25,721,212	-	538,813,037
Depreciation for the year	-	15,105,261	54,530,111	11,470,464	6,486,065	6,331,876	-	93,923,777
Depreciation on disposals	-	-	(13,134,713)	(113,751)	(477,126)	(2,616,513)	-	(16,342,103)
Transferred in / (Transferred out)	-	-	-	-	(335,874)	2,499,999	-	2,165,125
31 December 2008	-	66,166,243	421,913,831	55,103,917	43,438,271	31,936,574	-	618,558,836
<b>Net book value</b>								
31 December 2007	194,295,460	137,079,721	142,434,834	34,488,727	18,492,842	14,024,707	16,868,434	557,684,725
31 December 2008	194,295,460	163,293,209	109,295,450	34,568,932	20,930,526	16,896,148	-	539,279,725
<b>Depreciation charges for the years as included in the income statements</b>								
2007								84,899,987
2008								93,923,777



As at 31 December 2008, certain plant and equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 392 million (The Company only: Baht 370 million).

13. Right to derive benefit from the traffic boards

	(Unit: Baht)	
	Consolidated financial statements	
	2008	2007
Balance - beginning of year	188,102,186	214,657,789
Amortizations	(26,555,603)	(26,555,603)
Provision for loss on impairment of asset	(10,885,075)	-
Balance - end of year	150,661,508	188,102,186
Amortization expenses included in the		
income statements for the year	26,555,603	26,555,603

Joint Venture Genius (“the joint venture”) has received the right to derive benefit from the traffic boards from the Bangkok Metropolitan Authority (BMA) 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 an option 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.

As at 31 December 2008, the joint venture determined the recoverable amounts of the right, the estimated future cash flows are discounted to its present value. The recoverable amount of the right was Baht 11 million less than its carrying value. The joint venture has recognized such loss from impairment in the income statement for the year.

14. Bank overdrafts and short-term loans from financial institutions

(Unit: Baht)

	Interest rate (percent per annum)	Consolidated		Separate	
		financial statements		financial statements	
		2008	2007	2008	2007
Bank overdrafts	MOR, Spread+1.25%	5,575,157	19,621,487	5,575,157	6,957,408
Short-term loans from financial institutions	MLR-1,2%	1,426,272,507	974,781,000	1,166,272,507	839,781,000
Trust receipt	MLR-2%	112,999,825	60,318,952	112,999,825	60,318,952
Total		<u>1,544,847,489</u>	<u>1,054,721,439</u>	<u>1,284,847,489</u>	<u>907,057,360</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 transfer of collection rights for project construction.

15. Long-term loans

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Long-term loans	153,567,625	44,193,625	153,567,625	44,193,625
Less: current portion of long-term loans	(54,468,000)	(6,792,000)	(54,468,000)	(6,792,000)
Long-term loans - net	<u>99,099,625</u>	<u>37,401,625</u>	<u>99,099,625</u>	<u>37,401,625</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 rates ranging from 4.5 percent to MLR per annum. The loan and interest are to be repaid in monthly installments over a period of 108 months.

The Company entered into a loan agreement with a local bank to obtain a loan facility of Baht 30 million for use as working capital. Interest is charged on the loan at a rate MLR - 1.0% per annum. The loan and interest are to be repaid in monthly installments over a period of 60 months.

The Company entered into a loan agreement with a local bank to obtain a loan facility of Baht 100 million for use as working capital. Interest is charged on the loan at a rate MLR - 1.25% per annum at the first year and MLR - 1.0% per annum at the second and third year. The loan and interest are to be repaid in monthly installments over a period of 36 months.

According to the condition as stipulated in the above-mentioned loan agreements, the Company agreed not to mortgage or otherwise encumbers its assets with any other parties throughout the loan period.

**16. Provision for expected loss from project**

The balance is the expected loss from the project enterprise resources planning services provided to the Metropolitan Electricity Authority, which are the estimated amount by which total costs of project which will exceed total contract revenues. The Company has recognized these anticipated losses as expenses in the income statement for the year.

**17. Share capital**

The Extraordinary General Meeting of the Company's shareholders No. 1/2551 held on 20 June 2008, passed the following resolutions:

- a) The Company was authorized to decrease its registered share capital, from Baht 515 million (515,000,000 ordinary shares at Baht 1 each) to Baht 480 million (480,000,000 ordinary shares at Baht 1 each), by canceling its undistributed share capital.
- b) The Company was authorized to change the par value of its ordinary shares from Baht 1 each (480,000,000 ordinary shares of Baht 1 each) to Baht 0.50 each (960,000,000 ordinary shares of Baht 0.50 each).

The Company registered decrease in its registered share capital and changes of par value of the Company's ordinary shares with the Ministry of Commerce on 27 June 2008.

**18. 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.

**19. Expenses by nature**

Significant expenses by nature are as follow:

(Unit: Baht)

	Consolidated financial		Separate financial statements	
	statements			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Salary and wages and other employee benefits	331,469,300	303,136,572	222,981,761	209,441,644
Depreciation	108,638,530	99,598,610	93,927,777	84,899,987
Amortization	28,207,351	29,440,496	626,933	1,039,240
Raw materials and consumables used	5,209,985,375	2,112,092,747	5,200,431,975	2,176,992,388
Changes in inventories of finished goods and work in progress	(586,563,423)	(55,497,815)	(505,034,126)	(59,496,074)

## 20. 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.

## 21. 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 income 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 income derived from the promoted operations for a period of 8 years.

(Unit: Baht)

	Consolidated financial statements					
	Promoted operations		Non-promoted operations		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Sales	126,071,956	293,114,874	6,186,668,347	2,894,894,828	6,312,740,303	3,188,009,702
Services	-	-	145,869,032	304,133,076	145,869,032	304,133,076
Revenues from project construction	376,151,918	41,729,752	634,727,025	379,478,529	1,010,878,943	421,208,281
Other income	-	8,584	12,007,792	27,612,946	12,007,792	27,621,530
Total revenues	<u>502,223,874</u>	<u>334,853,210</u>	<u>6,979,272,196</u>	<u>3,606,119,379</u>	<u>7,481,496,070</u>	<u>3,940,972,589</u>

(Unit: Baht)

	Separate financial statements					
	Promoted operations		Non-promoted operations		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Sales	94,103,770	11,281,730	5,589,053,903	2,491,698,238	5,683,157,673	2,502,979,968
Services	-	-	118,661,988	266,862,318	118,661,988	266,862,318
Revenues from project construction	352,510,000	-	379,890,855	143,514,478	732,400,855	143,514,478
Other income	-	-	70,870,560	63,719,443	70,870,560	63,719,443
Total revenues	<u>446,613,770</u>	<u>11,281,730</u>	<u>6,158,477,306</u>	<u>2,965,794,477</u>	<u>6,605,091,076</u>	<u>2,977,076,207</u>

## 22. Earnings per share

Basic earnings per share is calculated by dividing net income (loss) for the year the weighted average number of ordinary shares in issue during the year, after adjusting the number of ordinary shares in proportion to the change in the par value of the ordinary shares from Baht 1 each to Baht 0.5 each as if the change in the number of shares had occurred since the beginning of the year. The previous year reported basic earnings per share are also restated for comparative purposes.

## 23. Segment information

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 2008 and 2007 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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	Revenues from external customers	1,297.3	1,214.9	5,015.4	1,973.2	145.9	304.1	1,010.9	421.2	-	-	7,469.5
Incensement revenues	88.5	72.0	63.7	200.2	6.3	2.2	-	-	(158.5)	(274.4)	-	-
Total revenues	<u>1,385.8</u>	<u>1,286.9</u>	<u>5,079.1</u>	<u>2,173.4</u>	<u>152.2</u>	<u>306.3</u>	<u>1,010.9</u>	<u>421.2</u>	<u>(158.5)</u>	<u>(274.4)</u>	<u>7,469.5</u>	<u>3,913.4</u>
Segment income	<u>431.7</u>	<u>424.4</u>	<u>51.8</u>	<u>46.3</u>	<u>64.9</u>	<u>130.5</u>	<u>237.8</u>	<u>78.4</u>	<u>-</u>	<u>-</u>	<u>786.2</u>	<u>679.6</u>
Unallocated income and expenses:												
Other income											12.0	27.6
Selling expenses											(57.2)	(52.5)
Administrative expenses											(334.7)	(299.1)
Other expenses											(50.6)	(23.5)
Loss on project											(317.4)	(9.7)
Share of income (loss) from investments in associates											3.1	(5.4)
Financial cost											(71.4)	(49.9)
Corporate income tax											(48.0)	(55.2)
Net income (loss)											<u>(78.0)</u>	<u>211.9</u>
Other information:												
Property, plant and equipment											617.9	604.7
Unallocated assets											3,601.0	3,089.7
Total assets											<u>4,218.9</u>	<u>3,694.4</u>

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

#### 24. 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 2008, the Company contributed Baht 2.2 million (2007: Baht 2.2 million) to the fund.

## 25. Dividends

		(Unit: Baht)	
<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
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	<u>52,800,000</u>	<u>0.11</u>
		<u>148,800,000</u>	<u>0.31</u>
Final dividends for 2007	Annual General Meeting of the shareholders on 18 April 2008	<u>67,200,000</u>	<u>0.14</u>

## 26. Commitments and contingent liabilities

### 26.1 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 2008 are as follows:

	<u>Million Baht</u>
Payable within :	
1 year	6
2 to 5 years	1

### 26.2 Guarantees

- (a) The Company has guaranteed bank credit facilities of its subsidiaries amounting to Baht 260 million.
- (b) As at 31 December 2008, there were outstanding bank guarantees amounting to approximately Baht 382.6 million issued by banks on behalf of the Company and its subsidiaries (2007: Baht 210.0 million), with Baht 347.3 million of this on behalf of the Company only (2007: Baht 175.3 million), in respect of certain performance bonds as required in the normal course of business of the Company and its subsidiaries.

## 27. Financial instruments

### 27.1 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. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies to ensure that services are provided only to customers with a suitable credit history. However, the Company has a significant concentration of credit risk due to its exposure to a single major debtor and debtors of project construction. This major debtor has honored all obligations and paid accounts in a timely manner, and debtors of project construction are the authorities while its subsidiaries have a large customer base. The Company and its subsidiary's management believe that such concentration of credit risk will have no material impact. The maximum exposure to credit risk is limited to the carrying amounts of trade account receivables 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 14 and 15 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 2008 are summarized below.

Foreign currency	Financial liabilities	Average exchange rate as at 31 December 2008
	(Million)	(Baht per 1 foreign currency unit)
US dollar	10.3	35.0824
Hong Kong dollar	0.8	4.5427
Japanese yen	17.3	0.3898



Forward exchange contracts outstanding at 31 December 2008 are summarized below.

Foreign currency	Bought amount	Contractual exchange rate-Bought
	(Million)	(Baht per 1 foreign currency unit)
US dollar	15.5	31.9-36.7
Yen	3.0	0.38

## 27.2 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.

## 28. Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

According to the balance sheet as at 31 December 2008, the Group's debt-to-equity ratio was 3.03:1 (2007: 2.10:1) and the Company's was 3.40:1(2007: 2.41:1).

## 29. Approval of financial statements

These financial statements were authorized for issue by the Company's Board of Directors on 27 February 2009.