

DISTAR

HIGER

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HIGHER

ANNUAL REPORT 2009



MOVING BEAUTY

KARMART

차장



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COMPANY PROFILE

Name	:	Distar Electric Corporation Public Company Limited
Address	:	<u>Office and Service</u> 81-81/1 Soi Phetchakasem 54 Yak3, Phetchakasem Rd., Bangduan, Phasicharoen, Bangkok 10160 Tel. 0-2805-2756-60 Fax. 0-2805-2751-2 <u>Factory</u> 140 Moo 4 Mapyangporn Plugdang Rayong 21140 Tel. 038-891-811-15 Fax. 038-891-821-22
Type of Business	:	Manufacturing & Trading Vehicle NGV
Authorized share capital		
Common stock	:	600,000,000 Baht
Issued and Paid up	:	600,000,000 Baht
Incorporate	:	May 11, 1982
Registered as a public company	:	March 18, 1994
SET Listing	:	October 31, 1994
Registration No.	:	0107537000823 (Old No. Plc. 329)
Home Page	:	www.distar.co.th , www.karmarts.com
Share Registrar	:	Thailand Securities Depository Company Limited The Stock Exchange Building
Auditors	:	Mr. Sophon Permsirivallop Certified Public Accountant No. 3182 Ernst & Young Office Limited.

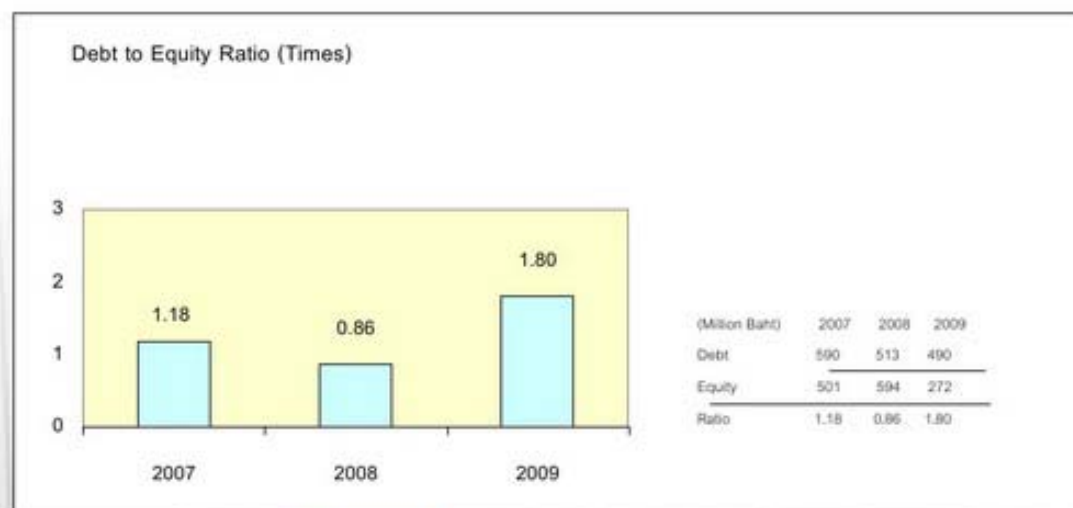
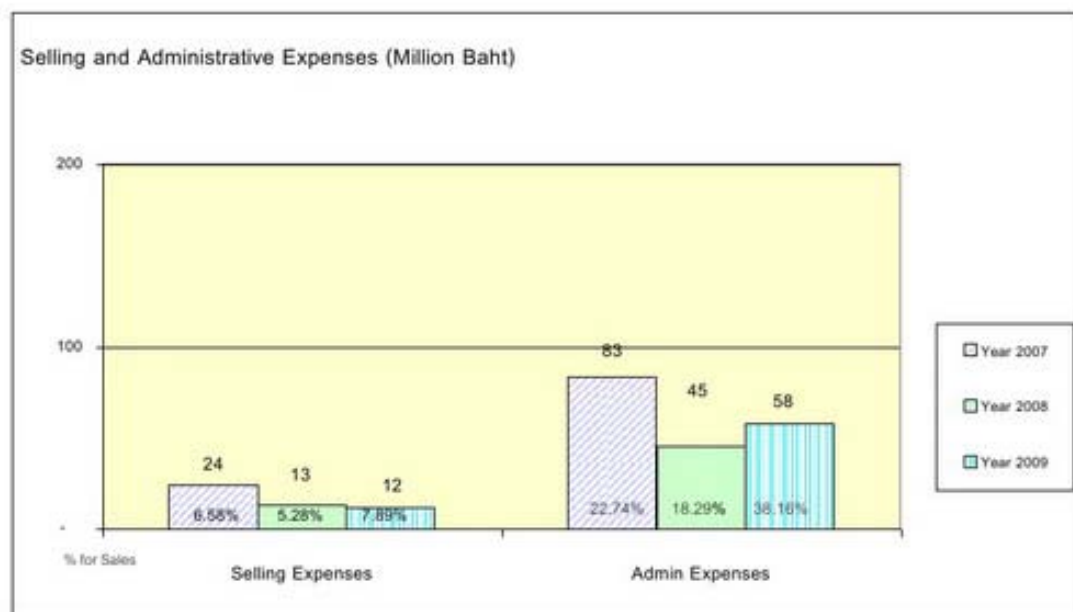
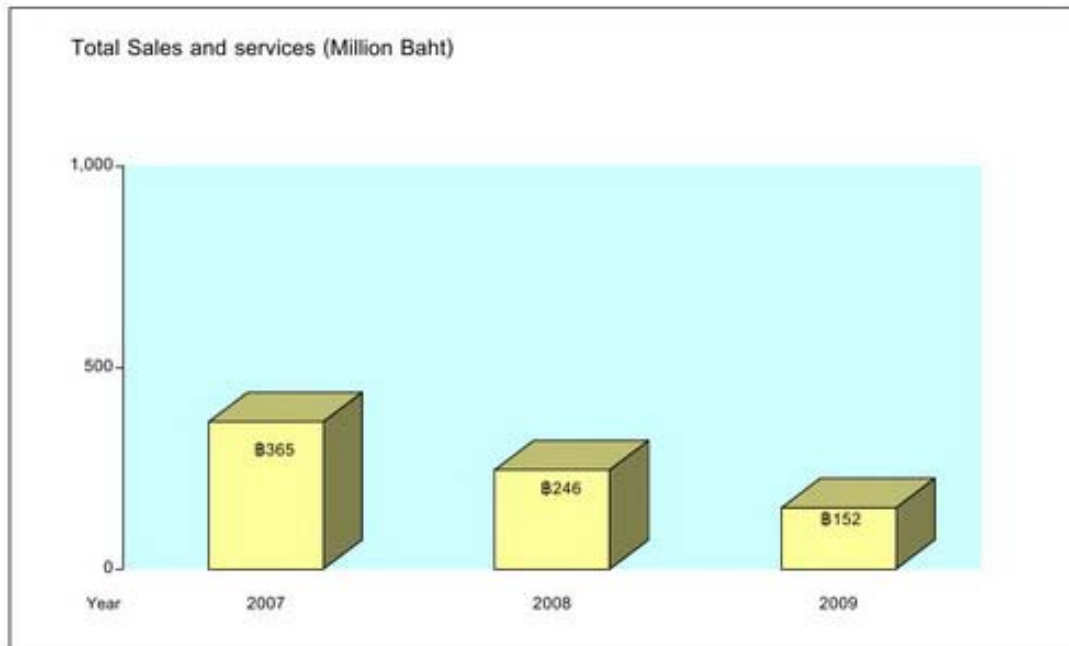


Financial Highlights

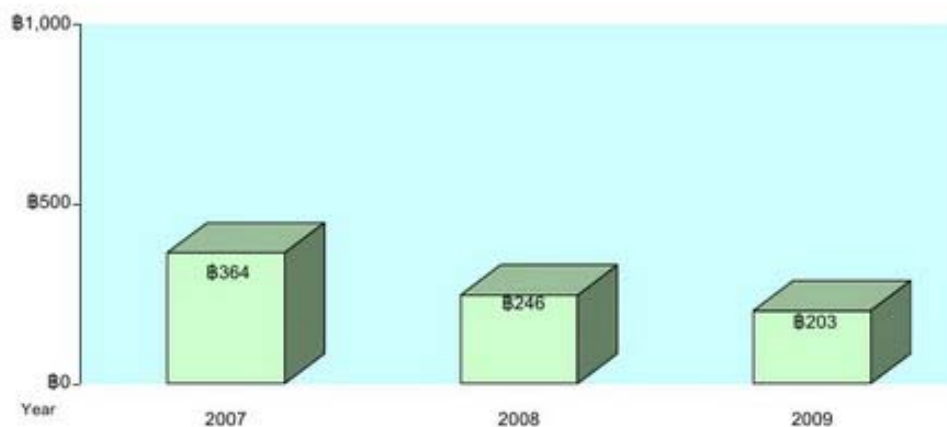
Distar Electric Corporation Public Company Limited

	Consolidated			The Company Only		
Financial Position and Operating results of year	2009	2008	2007	2009	2008	2007
Financial Position (Thousand Baht)						
Total Assets	762,227	1,060,237	1,091,134	499,456	840,827	820,873
Total Liabilities	490,050	513,098	590,127	222,930	292,883	379,155
Shareholders' Equity	272,177	547,139	501,007	276,526	547,945	441,718
Operating Results (Thousand Baht)						
Total Revenue	171,305	262,490	420,909	213,231	261,926	398,973
Total Sales and services	140,134	246,086	365,148	203,389	246,086	363,806
Gross Margin	8,703	15,645	21,061	5,828	15,645	20,502
Net Profit (Loss)	(263,589)	(60,685)	(84,851)	(271,417)	(51,169)	(86,468)
Financial Ratio						
Return on Assets (ROA) (%)	(28.93)	(5.52)	(7.20)	(40.50)	(6.16)	(9.56)
Return on Equity (ROE) (%)	(64.34)	(11.09)	(15.60)	(65.84)	(10.34)	(17.83)
Gross Margin (%)	6.21	6.36	5.77	2.87	6.36	5.64
Net Profit (Loss) (%)	(153.87)	(23.12)	(20.16)	(127.29)	(19.54)	(21.67)
Current Ratio (times)	0.69	1.01	0.81	1.71	1.80	1.19
Debt to Equity Ratio (times)	1.80	0.94	1.18	0.80	0.53	0.86
Book Value per share (Baht)	0.45	0.91	1.24	0.46	0.91	1.10
Earnings per share (Baht)	(0.44)	(0.13)	(0.21)	(0.45)	(0.11)	(0.21)

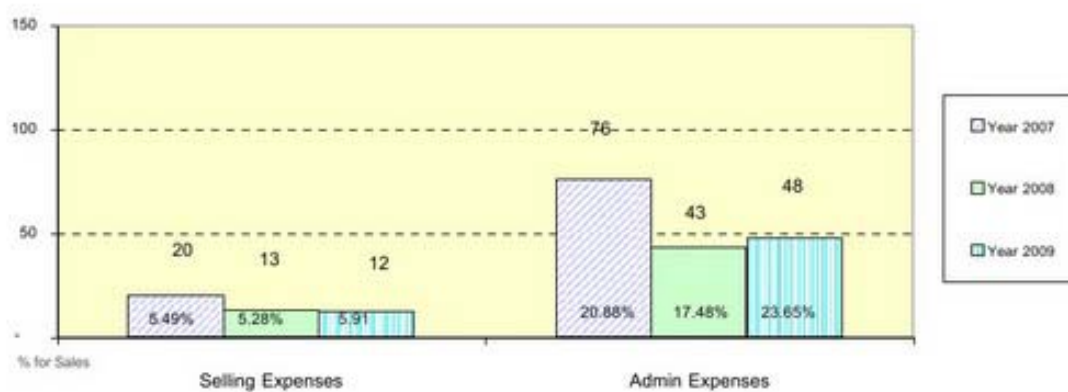
Note : Calculation are based on accounting standard by using weighted average number of ordinary shares issued during the year.



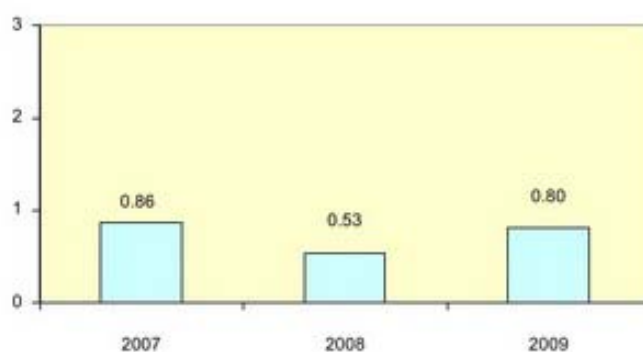
Total Sales and services (Million Baht)




Selling and Administrative Expenses (Million Baht)



Debt to Equity Ratio (Times)



(Million Baht)	2007	2008	2009
Debt	379	293	223
Equity	442	548	277
Ratio	0.86	0.53	0.80



Message from the Board of Directors

As the world economy recession continued through 2009, Thailand is one of the countries that being affected, especially export and tourism segment. In addition to this recession is unemployment which alternatively causes other negative results such as domestic economic downturn and social problem. This reduces the spending power of the consumers. Together with the political instability that is responsible for the decrease of national economy expansion rate.

For more than three years, the company has been manufactured and distributed Natural Gas Vehicle (NGV) and also provided with great services according to our company's standard for our valued customers. As the economy was not within our reach for prediction, it had led to the drawback of customers' decision on investing in new vehicles. However, the company is always prepared to be one of the top choices who specializes in manufacturing standardized NGV vehicles and provides great after sales services for our customers.

This particular year through, the company has been studying business expansion opportunities and eventually found that cosmetics business has small affects despite the economy recession. This is not one of many careers that has little impact compared to other business industries. As cosmetics and skincare business is on the up-heading direction according to current trend, the company would like to thoroughly study this market by gathering brands from abroad, importing and distributing the products under one commercial brand " Karmarts " which will cover skincare, cosmetics, and consumer products. To support the growing number of consumer products' customers, the company has invested on the tissue converting machine and expects to begin the production in 2nd quarter.

Some of the space in the Rayong factory in late 2009, the company has renovated the area to be a huge warehouse and logistics under trademark " EDC " (Eastern Distribution Center) with great management system and equipments to serve the surrounding factories that wish to store their raw materials and on-time delivery for their production (Just in time Process Manufacturing) . This includes transporting and distributing services throughout the country. As the company's facility is in the middle of 4 large scale industrial areas namely Amata city, Borwin, Eastern Seaboard, Siam Eastern and is close to a few other such as Leamchabang and Marbtaput. This enhances EDC to be a potential company in this business. Moreover, the company makes use of Natural Gas Vehicle which alternatively reduces the cost of transportation and hence is the company's advantage compared to the competitors. The Project would be expected to begin in 2010.

As for the business operation results in 2009, the company has income from sales and services of Baht 140.13 million (Consolidated financial statement) less than previous year by Baht 105.95 million or 43.06 %. This is mainly because the company increased sales proportion of HIGER products while other products' volume decreases. Revenue from public bus was Baht 12.26 million. Incomes generated from interest on financial leases was Baht 3.29 million. , Gains from exchange rate was Baht 10.86 million. Profit from sales of assets was Baht 1.6

million and other incomes was Baht 3.17 million. The company's business operating results had net loss of Baht 238.84 million.

The Board of Directors of the company would like to express their gratitude towards all parts of organization including management team, customers, shareholders, administrative, and all staffs at all levels to their contributions towards the company's success.

The Board of Directors
Distar Electric Corporation Public Company Limited



HIGER

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Income Structure

The Company had the electrical appliance sales in 2007 – 2009 as follow :

Product	2009		2008		2007	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Domestic Sales Value						
- Color Television	-	-	-	-	42,144	11.58
- VCD , DVD players	-	-	-	-	2,950	0.81
- Audio equipment	-	-	-	-	4,227	1.16
- Home Appliances	-	-	-	-	71,755	19.72
- Office Automation and Others	315	0.22	1,469	0.60	35,342	9.71
- Public Payphone	-	-	-	-	-	-
- Vehicle NGV	126,645	90.38	226,453	92.02	120,397	33.09
- Engines	478	0.34	2,850	1.16	5,177	1.42
- Cylinder	256	0.18	9,078	3.69	78,430	21.56
Total Domestic Sales	127,694	91.12	239,850	97.47	360,422	99.07
Export Sales Value						
- Color Television	-	-	-	-	-	-
- VCD , DVD players	-	-	-	-	-	-
- Audio equipment	-	-	-	-	-	-
- Home Appliances	-	-	-	-	1,184	0.33
Total Export Sales Value	-	-	-	-	1,184	0.33
Total Sales Value	127,694	91.12	239,850	97.47	361,606	99.40
Service Incomes	9,158	6.54	6,237	2.53	2,200	0.60
Revenue from Consumer Products	3,282	2.34	-	-	-	-
Grand total Revenue	140,134	100.00	246,087	100.00	363,806	100.00
% increased (decreased)	(43.06)		(32.36)		(65.85)	



Type of Business

Distar electric corporation public company limited of purchase finish good and manufactures and distributes vehicles consuming NGV as main fuel, ranging from mini coaches to large ones.

1. Higer Mini KLQ-6601C , KLQ6608C is the 6-meter multi-purpose van-like. It can serve up to 18 passengers with overhead compartment. Driven by the NGV engine, Higer mini is suitable for both personal and commercial use.

2. Higer Medium KLQ6840C – with 8.4 meters in length, holds up to 31 passengers, powered by NGV engine, lessen energy cost, fully equipped with audio system, creating cozy-atmosphere throughout the journey. Best for all purposes.

3. Higer City Bus KLQ6920GC - 9.2 meters with seating capacity of 28 NGV engine installed with type-2 composite cylinders, the bus body and its engineering design are officially approved by safety and engineering Bureau of Thailand. Saving energy and Reducing costs, these models truly reflect what so-called Mass Transit should indeed be.

4. Higer Max KLQ6109C – 10.5 meters coach with seating capacity of 43, with 280 horse power Cummins engine to ensure your every single move with marvelous comfort. Suitable for long distant journey. Saving two-third of energy certainly welcomed by those province-to-province coach operators.

5. Higer City Bus KLQ6120G Auto , KLQ6128GC Manual – 12 meter with seating capacity of 41 NGV engine installed with type-2 composite cylinders, the bus body and its engineering design are officially approved by safety and engineering Bureau of Thailand. Saving energy and Reducing costs, these models truly reflect what so-called Mass Transit should indeed be.

6. Higer Max KLQ6129C – 12 meter large coach, the longest size being assembled by Distar now. Being newly launched model with 340 Horse Power engine installed within the coach body under the approval of safety and engineering Bureau of Thailand. Reducing pollution, saving two-third of energy consumption, and focusing on safety ensure every steps of your journey with Higer. More space, more seating, more distance, more horse power, what is more do coach operators need.

This particular year, the company had alternatively been trying to do market studies on other business opportunities. The company discovered that the cosmetics and skincare business has long time been booming and potentially increasing in demand despite economic recession. Therefore, the company seriously focused on cosmetics and skincare market by importing products from overseas and distribute them under " KARMARTS" as business trademark whereby consists several brandings within a few categories namely, DAIRY PRODUCT, SKIN CARE, and COSMETICS. To support the increasing customers on DAIRY PRODUCT category, the company invested on the Tissue converting machine. In addition to KARMARTS business, the company makes use of the NGV engine re-powered vehicles as means of transportation to deliver goods and reduce the cost of transportation as well.

Production

Two types of product sourcing are as follow:

1. Completely Build-up Unit (CBU)

These completely built-up vehicles are assembled from overseas as ready-to-drive products. The company will make an order of the product from the supplier and it can be sold to the customer immediately. The selection of high quality product has also been conducted before handing to the customers.

2. Completely Knocked Down (CKD)

This type of sourcing is sorted as completely knocked down parts. These parts will be ordered and imported from overseas suppliers, and then will be assembled in Distar manufacturing factory by international expert engineers and professional inspectors in order to achieve international standard. Now the manufacturing capacity of NGV is approximately 25-35 units per month; however the capacity depends on the size and specification of NGV buses and coaches.



Sales and Marketing

Sales and Marketing team is professionally led by executives who have tones of experience in up-bringing businesses. Our CEO has foreseen the down trend of the Electrical appliances market with aggressive competition from the business rivals of the same field. Especially after the FTA that has allowed foreign products to be imported in such a way that local cost could no longer compete with the market. All the time, the company has realized the situation and studied solution in changing the core business to the field that suits the market needs. By doing so, the studies show that by being part to support the national energy saving policy, where fuel is the main factor for the cost of production in all industries, could help the nation as a whole. As part of contribution to support the government sector to achieve its goal faster, Distar started its Buses and coaches manufacturing line in Thailand with the collaboration of HIGER Bus Company, the top three bus Manufacturer in People Republic of China. Being sole and exclusive distributor appointed by HIGER Bus Company, Distar has sold the buses and coaches beyond our expectation. Moreover, with the customers strong and continuous interest, the company has estimated large number of owners whose buses and coaches affected by high oil price within these consecutive years needed to be replaced. Though this year's sales volume does not seem much, with this unfading needs of NGV city buses and coaches, the company foresees this coming year good trend.

The company has strong will in improving and developing both products and services to suit the customers' needs and their full satisfaction.

In addition, Distar Electric Corporation Public Limited sells and distributes skin care, cosmetics and daily use products such as Tissue paper, Hair care products to serve the expanding rate of cosmetic market.

Strategies

Distar emphasizes on developing our products with quality and according to international standard, including product utilities that reflect every group of customers, especially commercial ones, etc.

For KARMARTS business, the company focuses on product distribution channels to wholesales stores in every provinces and at the same time encourages KARMARTS distribution shop (wholesales-retails) with definite concept and emphasizes our own imported products chosen to suit the concept of KARMARTS. As these products may change according to trend, the company has certain "Hero" products that will be our key sales whereas the trendy ones will be changing according to the customers' demand.



Target groups

Our company's target customers are Bangkok Mass Transit Authority (BMTA), Transportation Co., Ltd., Joint-private companies, Tour and travel companies, buses and coaches transport companies, and two-row pick up cars.

In the part of KARMARTS business, the company's target groups are the wholesale-retail distribution shops, pharmaceutical shops, retail shop and those who are interested investing in KARMARTS shops

Advertising

The company's publicizing channel is to create Higer brand recognition to direct customers. Advertisement in Car and automobile magazines are also our direct means. Nevertheless, the company would select each advertising ways to get intact to every type of customers.

For KARMARTS, The company organizes road show activities and events in various provinces, selects magazine advertisement, and chooses whichever means of Advertisement that most penetrate into the consumers.

Industry Competitiveness

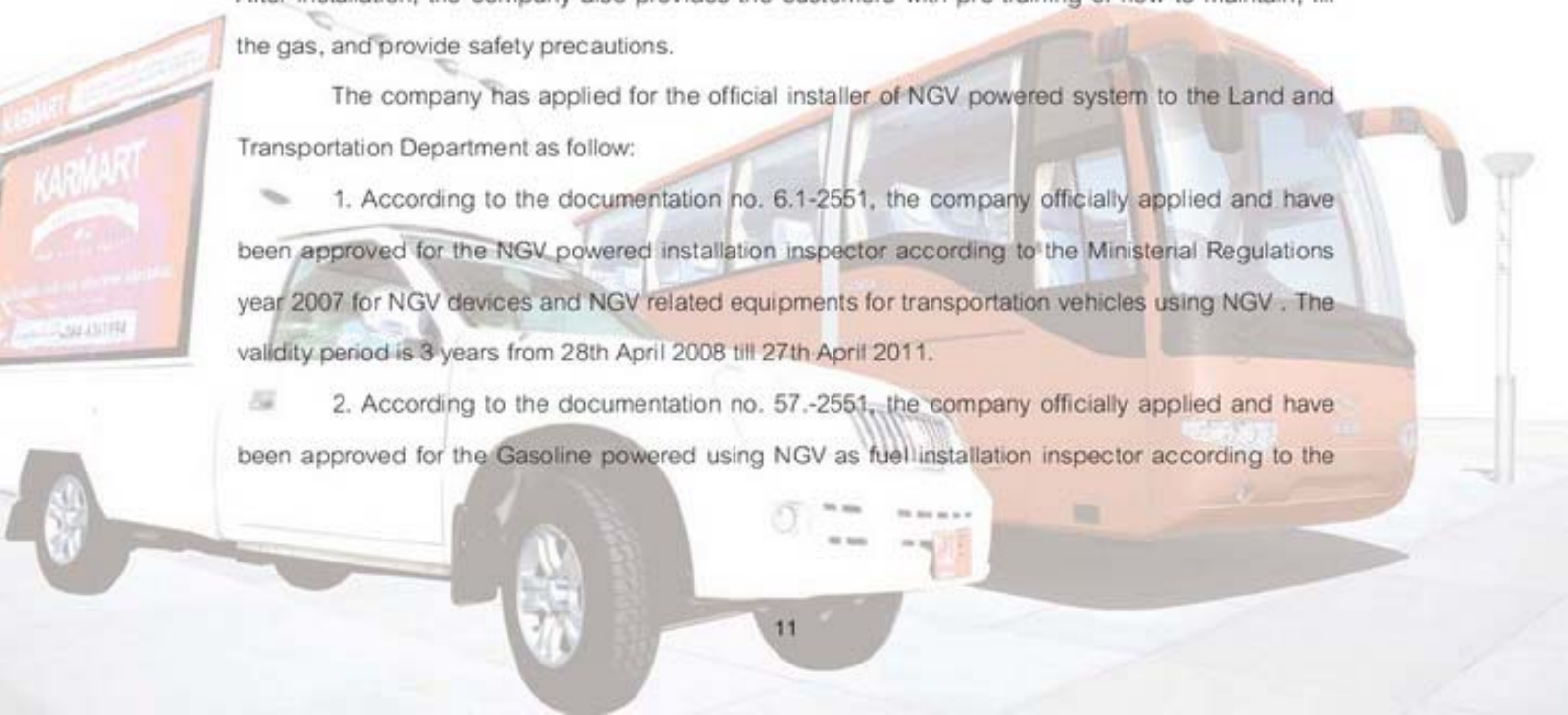
Nowadays, the bus assembly industry in Thailand is still based on one to one basis; that means from the start of the production till its finishing goods, the bus stays within one station and are done by teams of different skills and techniques that could lead to uneven quality. Distar is the first company in Thailand that successfully adopts assembly line used within this industry with professional and skillful techniques from HIGER Bus company and ensures every manufacturing steps according to international standard.

Being the importer of DS140N NGV engine and NGV installation kits, the company re-powers the diesel engine pick up trucks into bi-fuel powered vehicles by professional technicians. After installation, the company also provides the customers with pre-training of how to maintain, fill the gas, and provide safety precautions.

The company has applied for the official installer of NGV powered system to the Land and Transportation Department as follow:

1. According to the documentation no. 6.1-2551, the company officially applied and have been approved for the NGV powered installation inspector according to the Ministerial Regulations year 2007 for NGV devices and NGV related equipments for transportation vehicles using NGV . The validity period is 3 years from 28th April 2008 till 27th April 2011.

2. According to the documentation no. 57.-2551, the company officially applied and have been approved for the Gasoline powered using NGV as fuel installation inspector according to the



Ministerial Regulations year 2007 for NGV devices and NGV related equipments for transportation vehicles using NGV . The validity period is 3 years from 23rd April 2008 till 22nd April 2011.

3. According to the documentation no. 57.1-2551, the company officially applied and have been approved for the NGV Equipments Installer using Natural Gas as fuel according to the Ministerial Regulations year 2007 for NGV devices and NGV related equipments for transportation vehicles using NGV . The validity period is 3 years from 23rd April 2008 till 22nd April 2011.

4. According to the documentation no. 47-2551, the company officially applied and have been approved for the Gasoline powered using NGV as fuel installation inspector according to the Ministerial Regulations year 2007 for NGV devices and NGV related equipments for transportation vehicles using NGV . The validity period is 3 years from 23rd April 2008 till 22nd April 2011.

Though there are plenty of cosmetics and skincare industry in Thailand, the imported products seem to be rocketing endlessly according to the increasing demand volume. Together with the import products trend that has been in the market for a couple of years makes the market even booming. Nowadays especially, not only women are using cosmetics and skincare products, surprisingly men as well. This is why the company's products homogenously suit the market despite the tough competition.





Details of Director Management and Authorized Person

Details of Director Management and Authorized Person



Acting Second Lieutenant Somchai Wasantwisut

Position	Director and Chairman
Age (Year)	55
Educational Background	MBA, Harvard University School of Management, Major General Management B.ENG (First Class Honor) Chulalongkorn University Majoring Computer Bachelor degree of Engineering
Number of Share (%)	-
As at 17 March, 2009	



Mr. Wiwat Theekhakhirikul*

Position	Director, Chief Executive Officer and Managing Director
Age (Year)	57
Educational Background	Bachelor degree of Political Sciences, Major in Political, Ramkhamhaeng University National Defence College Class 2547
Number of Share (%)	96,763,780 Shares 16.13%
As at 17 March, 2009	



Mr. Prapas Rerkpiboon

Position	Director and Audit Committee Chairman
Age (Year)	73
Educational Background	Bachelor degree of Majoring Money & Banking Finance Chulalongkorn University Master degree of Majoring Business Administration Chankasem University
Number of Share (%)	-
As at 17 March, 2009	



Mr. Kraiwit Satayapiwat*

Position	Director, Executive Director and Deputy Managing Director
Age (Year)	53
Educational Background	Bachelor degree of Engineering Major Mechanical, Chulalongkorn University
Number of Share (%)	-
As at 17 March, 2009	



Details of Director Management and Authorized Person



Mr. Somchai Tungsriruk

Position

Director and Audit Committee

Age (Year)

56

Educational Background

Bachelor degree of Statistics Faculty of Commerce
and Accountancy Chulalongkorn University
Master degree of Business Administration, Faculty
of Commerce and Accountancy at Thammasat University

Number of Share (%)

-

As at 17 March, 2009



Mr. Prasit Dheeraratbongkot

Position

Director and Audit Committee

Age (Year)

55

Educational Background

B.ENG(EE) Chulalongkorn University
Directors Certification Program (DCP62)
Thai Institute of Directors

Number of Share (%)

-

As at 17 March, 2009



Mr. Puttithorn Jirayus

Position

Director

Age (Year)

34

Educational Background

B.B.A in International Marketing American
Intercontinental University
MBA Major in Management at Sasin Graduate
Institute of Business Administration
of Chulalongkorn University

Number of Share (%)

-

As at 17 March, 2009



Mr. Parit Teekakirikul

Position

Director

Age (Year)

27

Educational Background

B.B.A. Bachelor Engineering Major Civil Engineering
Chulalongkorn University
Master of MSc in Construction Management,
University of Reading, UK

Number of Share (%)

-

As at 17 March, 2009



Mr. Seah Sin Loo

Position

Director

Age (Year)

59

Educational Background

Secondary

Number of Share (%)

-

As at 17 March, 2009



Details of Director Management and Authorized Person



Mr. Xiangchun Kong

Position Assistant to Managing Director of Natural Gas Vehicle Engineering
 Age (Year) 42
 Educational Background Bachelor degree of Engineering Majoring Electronics Engineering
 University of Electronic Science and Technology of China
 Number of Share (%) -
 As at 17 March, 2009



Mrs. Tussanee Auncharoen

Position Assistant to Managing Director of Accounting and Finance
 Age (Year) 48
 Educational Background Bachelor degree of Education (B.Ed.), Major Mathematics,
 Sri Nakharinwirot University
 Bachelor degree of Business Administration Major General Management
 Sukhothai Thammathirat University
 Number of Share (%) 300,000 Shares 0.05%
 As at 17 March, 2009



Ms. Suwannee Tharacheevin

Position Accounting Director
 Age (Year) 44
 Educational Background Bachelor degree of Business Administration Major Accounting
 Sukhothai Thammathirat University
 Bachelor degree of Business Administration (B.B.A). Major General Management
 Sukhothai Thammathirat University
 Number of Share (%) -
 As at 17 March, 2009



Mr. Montian Buaphet

Position Director Service
 Age (Year) 39
 Educational Background Bachelor Electronic Majoring Electronic Computer
 DIPLOMA University St. John'S Polytechnic BKK.
 Number of Share (%) -
 As at 17 March, 2009

Significant changes in 2009

In 2009, the company continues to manufacture and distribute the Natural Gas Vehicles. As the global economic recession worsened, together with political unrest caused the company revenue to decrease. This particular year, the company had alternatively been trying to do market studies on other business opportunities. The company discovered that the cosmetics and skincare business has long time been booming and potentially increasing in demand despite economic recession. Therefore, the company seriously focused on cosmetics and skincare market by importing products from overseas and distribute them under " KARMARTS" as business trademark whereby consists several brandings within a few categories namely, DAIRY PRODUCT, SKIN CARE, and COSMETICS. To support the increasing customers on DAIRY PRODUCT category, the company invested on the Tissue converting machine. In addition to KARMARTS business, the company makes use of the NGV engine re-powered vehicles as means of transportation to deliver goods and reduce the cost of transportation as well.



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Risk Factors

1. Exchange Rate Risk

The Company and its subsidiaries are exposed to foreign currency risk arises mainly from trading transactions and borrowings that are denominated in foreign currencies. The Company and its subsidiaries seek to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year as at 31 December 2009 the company and its subsidiaries total Financial liabilities US\$ 7 million (Average exchange rate 33.5168).

2. Interest Rate Risk

Fluctuation of interest rates in money market might adversely affect the company's expenses on interest. As at December 31, 2009, the company's loan outstanding include banks O/D Baht 29.60 million , Trust receipts Baht 15.80 million , Long-term loan from related party - net of current portion Baht 2.80 million , Liabilities under finance lease agreements - net of current portion Baht 3.20 million and long-term loan Baht 130.30 million.

However, because liabilities carry floating interest rates which will fluctuate in line with the market interest rates or carry fixed interest rates which approximate the current market interest rate, interest rate risk of the Company and its subsidiaries is considered to be low.

3. Credit Risk

Trade credit granted to customers become risky, if they could not pay debt outstanding upon due. Normally, the company would take great care in granting trade credit. Assessment and determination of credit limits for any customer are normally based on his/her latest financial statements and strength. We anticipate no significant bad debt incurring from credit sales.

The connected transactions

The Connected Transactions

An acquisition of goods and services, purchases of raw material and finished goods which is in the ordinary course of business and under normal commercial terms and conditions the Trade accounts payable - related party Baht 6.67 million and Long-term loan from related party Baht 2.81 million, which had been disclosed in notes to financial statements in topic 7.

Necessities and Reasons of connected Transactions.

The company made some connected transactions with certain connected companies for business purposes and of ordinary prices that applied to all customers. So such transactions were truly made in accordance with necessity of normal operation. As for the acquisition or disposition of assets. The Audit Committees agreed that the said transactions are justifiable and beneficial to the company. As the mentioned transactions will provide additional value to the company. The related and mutual supported business which is in the ordinary course of business and under normal commercial terms and conditions. The board members who have none of relations with the company agreed in this new capital increment which seemed to be beneficial to the company's business expansion and by contributing to the branding efficiency. Higher needs to justify prices under normal commercial terms and conditions. Nevertheless, The Board members who have relations with the company would not participate and have no rights to vote in the meeting as well.

Procedures on the connected transactions

The company entered into the connected transaction as the usual course of business according to the contract terms with fair prices as applied to ordinary customers and the approval procedures normally used for ordinary customers were strictly applied.

The guarantee obligation for the related company were considered and approved by the Board of Directors and Shareholders.

Policy and trend of Transactions with Related Companies in the Future

Connected transactions are made for normal operation of business, with fair value. Hence trend of transactions depends on business growth and changes in the future.

Connected Persons

Connected Persons	At March 17, 2009		Subsidiary				Associated		Related Company	
	Distar Electric Pcl.		StarCom Co., Ltd.		My Bus Co., Ltd.		Daewoo Consumer Electronics (Thailand) Co., Ltd.		Chaiviboon Intertrade Limited Partnership	
	%share	Position	%share	Position	%share	Position	%share	Position	%share	Position
1 Distar Electric Corporation Plc.	-		70.00%		95.16%		19.00%		-	
2 Distar Holding Co., Ltd.	4.18%		-		-		-		-	
3 Daewoo Electronics Co., Ltd. (Korea)	-		-		-		30.00%		-	
4 Comfort Center Co., Ltd.	-		-		-		6.00%		-	
5 "Theekhakhirikul" Group	24.93%						-		90.00%	
5.1 Mr. Wiwat Theekhakhirikul	16.13%	Director	-	Director	-	Director	-	Director	-	
5.2 Ms. Chontida Theekhakhirikul	0.02%		-	Director	-	Director	-		-	
5.3 Mr. Wongwat Theekhakhirikul	0.13%		-		-		-		-	
5.4 Mr. Pongwat Theekhakhirikul	-		-		-		-		-	
5.5 Mr. Polkrit Theekhakhirikul	4.55%		-		-	Director	-		90.00%	Partnership
5.6 Mr. Parit Theekhakhirikul	-	Director	-		-		-		-	
5.7 Miss Viamol Theekhakhirikul	4.10%		-		-		-		-	
5.8 Mr. Sutum Theekhakhirikul	-		-		-		-		-	
5.9 Mr. Vorachai Theekhakhirikul	-		-		-		-		-	
5.10 Ms. Ponvaree Theekhakhirikul	-		-		-		-		-	
6 Mr. Somchai Tungsriruk	-	Director	-		-		-		-	
7 Mr. Kraiwal Satayapiwat	-	Director	-	Director	-	Director	-		-	
8 Mr. Puttithom Jirayus	-	Director	-		-		-		-	
9 Mr. Decha Singhsiruk	-		30.00%		-		-		-	
10 Other	70.89%		-		4.84%		45.00%		10.00%	
Total	100.00%		100.00%		100.00%		100.00%		100.00%	

Director	Distar Electric Pcl.		StarCom Co., Ltd.		My Bus Co., Ltd.		Daewoo Consumer Electronics (Thailand) Co., Ltd.		Chaiviboon Intertrade Limited Partnership	
	CEO	Director ^A	MD	Director ^A	MD	Director ^A	MD	Director ^A	MD	Director ^A
1 Mr. Wiwat Theekhakhirikul	✓	✓		✓		✓				
2 Ms. Chontida Theekhakhirikul				✓		✓				
3 Mr. Pongwat Theekhakhirikul										✓
4 Mr. Kraiwal Satayapiwat		✓		✓		✓				
5 Mr. Sutum Theekhakhirikul										

Remark Director^A Meant authorized signatory director.

Shareholders structure

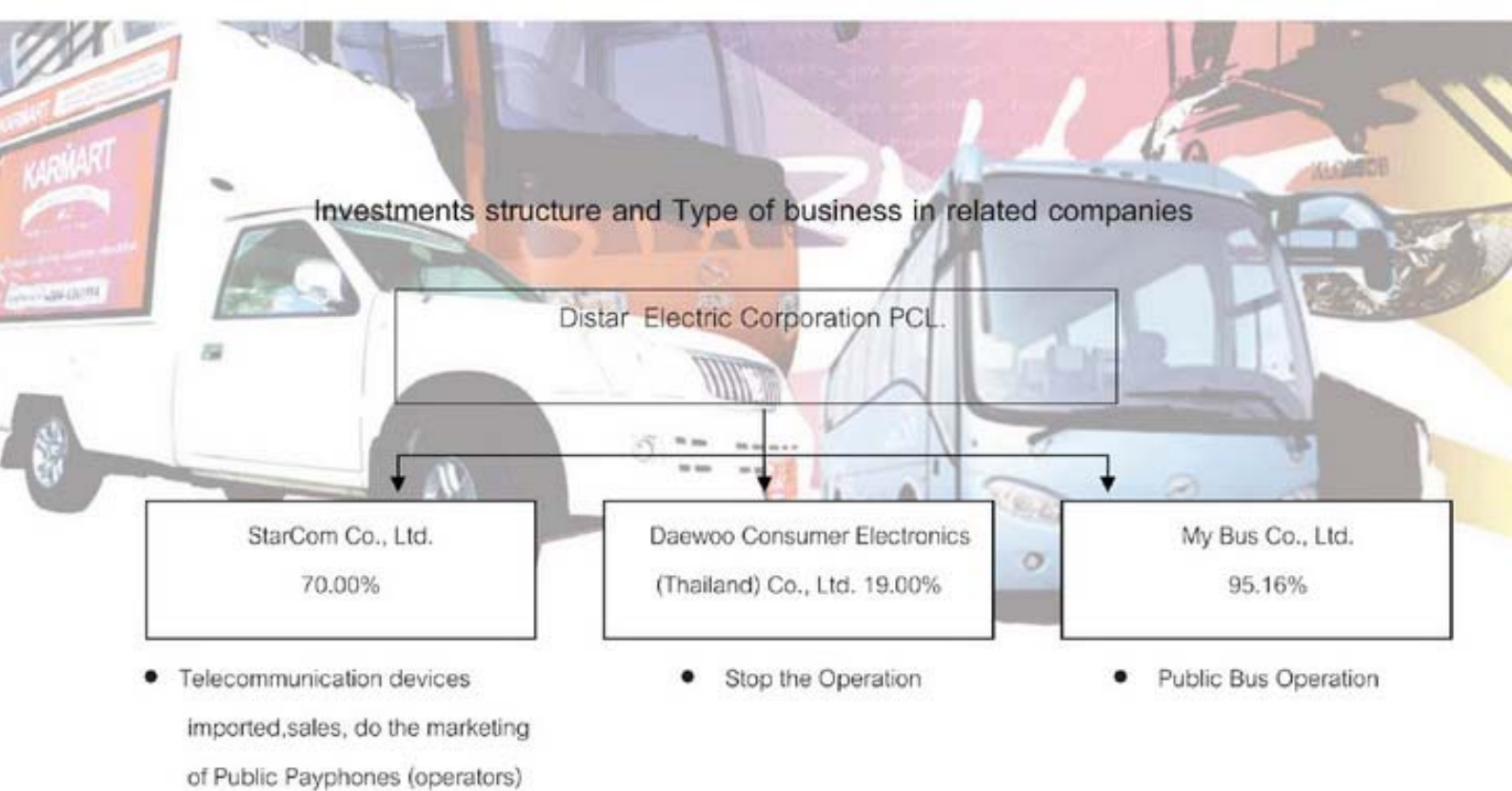
The company has its capital registration of 600,000,000 Baht which commons 600,000,000 share of par value 1 Baht and the paid-up capital of 600,000,000 Baht.

<u>Shareholders' name</u>	<u>Amount</u>	<u>% Owned</u>
1. Theekhakhirikul Group	149,588,680	24.93
Mr. Wiwat Theekhakhirikul	96,763,780	16.13%
Mr. Polkrit Teekhakhirikul	27,285,000	4.55%
Ms. Woramol Teekhakhirikul	24,600,000	4.10%
Mr. Wongwiwat Theekhakhirikul	785,900	0.13%
Ms. Chontida Theekhakhirikul	154,000	0.02%
2. My bus Co., Ltd. (Distar Holding Co., Ltd.)	25,069,992	4.18
(Name list of major persons which is Mr. Pongwiwat Theekhakhirikul Ms. Chontida Theekhakhirikul and Mr. Somchai Tungsriskul)		
3. PHILLIP SECURITIES PTE LTD.	48,068,000	8.01
4. Mrs. Chalao Wattanasombat	36,565,060	6.09
5. Mrs. Vanida Saejew	32,831,300	5.47
6. Sunshine Corporation Public Company Limited	29,000,000	4.83
7. Miss Prontip Parinayok	24,000,000	4.00
8. Mr. Apitana Jirawongkrisorn	14,500,000	2.42
9. Thai NVDR Co., Ltd.	13,837,900	2.31
10. Ms. Hatairat Tumthavonvanit	12,690,000	2.12
11. Other	<u>213,849,068</u>	<u>35.64</u>
Total	<u>600,000,000</u>	<u>100.00</u>

Remark : Shareholder's name and percentage of shareholding as shown above is the same as the closing date of the securities register on March 17, 2009 by the information of Thailand Securities Depository Co., Ltd.

Dividend payment policy

The company will pay dividend on 50% of net profit as per profit and loss statement of individual company after deduct the reserve law that is not less than 5% of net profit until that reserve will not less than 10% of capital registered.



Juristic person which the Company hold at least 10%

	Type of business	Registered capital	Paid-up capital	Company's stake
MY BUS CO., LTD <u>Location</u> : 214 Ladya Rd., Klongsarn, Bangkok 10600 <u>Tel.</u> : 0-2805-0220 <u>Fax.</u> : 0-2805-0220	Public Bus Operation	90,000,000	32,000,000	95.16%
STARCOM CO., LTD <u>Location</u> : 114-114/1 Moo 9 Soi Phetchakasem 54, Phetchakasem Rd., Bangduan, Phasicharoen, Bangkok 10160 <u>Tel.</u> : 0-2805-2756-60 <u>Fax.</u> : 0-2805-2751	Telecommunication devices imported, sales, do the marketing of Public Payphones (operators)	206,000,000	206,000,000	70.00%
DAEWOO CONSUMER ELECTRONICS(THAILAND) CO., LTD. <u>Location</u> : 140/1 Moo 4 Mapyangporm Plugdang Rayong 21140 <u>Tel</u> : (038) 891-811-20 <u>Fax</u> : (038) 891-821 , 891-822	Manufacture, import and distribution of Home Appliances products	200,000,000	200,000,000	19.00%

Management Structure

Names of Director , Audit Committee , Management and Secretary

Name	Director	Audit Committee	Executive Director	Management	Secretary
1. Acting Second Lieutenant Somchai Wasantwisut	/	-	-	-	-
2. Mr. Wiwat Theekhakhirikul *	/	-	/	/	-
3. Mr. Prapas Rerkpiboon	/	/	-	-	-
4. Mr. Kraiwit Satayapiwat *	/	-	/	/	-
5. Mr. Prasit Dheeraratbongkot	/	/	-	-	-
6. Mr. Somchai Tungsrusuk	/	/	-	-	-
7. Mr. Puttithorn Jirayus	/	-	-	-	-
8. Mr. Parit Teekakirikul	/	-	-	-	-
9. Mr. Seah Sin Loo	/	-	-	-	-
10. Mr. Xianchun Kong	-	-	-	/	-
11. Mrs. Tussanee Auncharoen	-	-	-	/	-
12. Mr. Montian Buaphet	-	-	-	/	-
13. Ms. Suwannee Tharacheevin	-	-	-	/	/

Remark : * Means authorized signatory director as announced in Company's Affidavit

Board of Directors – Roles and Responsibilities

Board of Directors , comprising of 9 members. Is to oversee that the company's businesses are managed and carried out in accordance with laws and regulations , Articles and Associations of the company and shareholders' resolutions , and to monitor and ensure that the company's management perform that duties honestly and utmostly safeguard the company's benefits and properties.

Audit Committee – Roles & Responsibilities

Audit committee , comprising of 3 independent directors with three members being well experienced in accounting and financial areas. Audit committee is to monitor and review business activities of the company in accordance with roles and responsibilities as outlined in the Audit Committee Charter such as to review financial statements, internal control system, compliance to laws and the company's regulations.

Executive Committee – Roles and Responsibilities

Executive Committee , consisting of 2 directors is appointed by the Board of Directors , the Executive committee is to manage and oversee the overall business of the company for and on behalf of the Board of Directors.



Management Team – Roles and Responsibilities

Board of Directors selects and appoints a Managing Director to be in charge of overall management activities of the company , to generate business growth and maximum benefits for shareholders. The Managing Director is empowered to appoint Management Team to assign him or her to effectively carry out the company's business in accordance with policy and business plans.

Directors and Management Team Appointment

The company has a policy to appoint the Directors by the board of directors who compulsorily propose to shareholders for approval. One share owned will be honored one vote and the approval process will follow the majority votes, accordingly to the decree 70 of the public company Act 1992

The Board of Directors consists of five representatives of the corporate shareholders; the other of whom is from one foreigner shareholder; two independent Directors, and one executive Directors.

In terms of the management team, the Board of Directors will appoint the highest Management level from the Chief Executive Officer to the Vice President level and below that, the responsibility will follow the chain of command.

Although the company's Board of Directors has no representative of minority shareholders, who actually have the voting rights, the company still has independent directors who are well qualified and best known to protect the minority shareholders' interests.

Remuneration of Board's Members and Executives

Remuneration for a members of the Board of Directors in terms of meeting allowances and other benefits are as follow.

Name	2009	2008
	Baht	Baht
1. Acting Second Lieutenant Somchai Wasantwisut	80,000	160,000
2. Mr. Wiwat Theekhakhirikul *	40,000	100,000
3. Mr. Prapas Rerkpiboon	60,000	80,000
4. Mr. Kraiwit Satayapiwat *	40,000	100,000
5. Mr. Prasit Dheeraratbongkot	50,000	70,000
6. Mr. Somchai Tungsisuk	50,000	100,000
7. Mr. Puttithorn Jirayus	30,000	100,000
8. Mr. Parit Teekakirikul	30,000	50,000
9. Mr. Seah Sin Loo	-	-
10. Mrs. Phulporn Saengbangpla	-	20,000
11. Ms. Niramai Thanatawee	-	10,000
Total	<u>380,000</u>	<u>790,000</u>



Presently, the Board of Directors no. 10 and 11 have resigned from the Board of the company.

The Board of Director's remuneration for the year 2009 must not exceed 3 million Baht whereby Audit Committee Directors receive Baht 20,000 per meeting, Independent audit committee receive Baht 10,000 per meeting, Chairman of the Board of Directors receive Baht 20,000 per meeting, and the rest of the members receive Baht 10,000 per meeting.

Remuneration for the company's Directors and Management team in year 2009 was Baht 6.70 million compared to previous year of Baht 6.22 million. The sums are in terms of salary, Bonus, and transportation expenses.

Others allowance for the Directors and Management team.

None.

Report on Good Corporate Governance

1. Good Corporate Governance Policies

The Board of Directors places a top priority on the principles of Good Corporate Governance, and established a set of policy guidelines and principles for the company to observe as follows:

- Equal and fair treatment for all stakeholders.
- Forward looking commitment to add value to company's operations, prudent and thorough management of its operations, responsible, competent and effective performance to maximize shareholders' value with prevention the conflicts of interest.
- Transparency and accountability in the operations, adequate disclosure of information to all parties concerned.
- Awareness of risks in conducting the business, implementation of appropriate risk management strategies.
- Establishment of moral and ethical guidelines for company's directors and staff to follow:

2. Shareholders Rights

Company places a high priority on Shareholders' Rights. These rights are stipulated in its Articles of Association, for the right to access the company information, vote as a shareholders, fair treatment and facilitation for shareholders in its meeting.

3. Stakeholders Rights

Company also places utmost importance on all groups of stakeholders, on their rights , reliable and timely disclosure of information for dissemination to all our stakeholders, fair treatment to our counterparties and all our staff.

4. Shareholders' Meetings

Another top priority is our shareholders' Meetings, as stipulated in Company's articles of Association. We have clearly defined our guidelines for organizing our shareholders' Meeting and for facilitating and disseminating news and relevant information to our shareholders adequately and on equal basis.

5. Leadership and Vision

The Board of Directors actively takes part in setting company's vision, obligation, goal, business plan, and budget considerations. The Board of Directors also supervises the management to ensure that all operations are conducted efficiently and effectively, as planned and within their budget. The Board of Directors has also instituted



the Internal Audit and control system as well as risk management measures., and set up regular monitoring mechanism to follow up the operation consistency.

6. Conflicts of interest

To present conflicts of interest. The Board of Directors has drawn up ethical guidelines for directors to follow "The directors shall execute their duties while avoiding conflicts that may arise between personal interests and those of the company in order to maximize management efficiency. The avoidance of conflicts of interest are derive personal benefits from directorship, not use company information in a wrong manner. The Board has tasked the Audit Committee to monitor and report cases in which conflicts of interest may arises.

7. Business Ethics

Board of Directors has established moral and ethical guideline. These guidelines have been disseminated to all executive directors and Staff to abide. This practice is intended to foster consciousness for a moral and ethical job performance, leading to satisfactory internal audit and control, which are interconnected.

8. Checks and Balance of Non-Management Board Members

Company's Board of Directors consists of 9 members.

- Directors who are the management members 2 persons.
- Independent directors who also serve as the Audit Committee 3 persons.

9. Aggregation or Segregation of Positions

The Chairman of the Board of Directors does not concurrently assume the Chief Executive Director of the company, and is an independent Director also. These two separate positions are accompanied by two distinct sets of corresponding roles and duties.

10. Remuneration of Board's Members and Executives

The remuneration consists of meeting allowances and bonuses in accordance to the business operation results each year within the budget approved by shareholders.

Remuneration of the Board members and Executives is set according to the policy of the Management team which is relative to the operating results and each member's performance.

11. Board of Directors' Meeting

The Board holds regular meetings on quarterly and extraordinary meetings when necessary, with a clearly specified agenda to continually monitor the proposes and performance of company's operations. The Board's secretary sends out meeting invitation with agenda and related documents to the directors prior to the scheduled meetings to allow sufficient preparation time. Normally, the meeting spends 3 hours per time. During year 2009 the Board held 4 regular meetings as following detail.



Name	Board of Audit Committee	Board of Director			Remark
		Ordinary Meeting	Extra Ordinary Meeting	Total	
1. Acting Second Lieutenant Somchai Wasantwisut	-	4/4	-	4/4	
2. Mr. Wiwat Theekhakhirikul *	-	4/4	-	4/4	
3. Mr. Prapas Rerkpiboon	6/6	4/4	-	4/4	
4. Mr. Somchai Tungsisuk	6/6	4/4	-	4/4	
5. Mr. Kraiwi Satayapiwat *	-	4/4	-	4/4	
6. Mr. Puttithorn Jirayus	-	3/4	-	3/4	
7. Mr. Prasit Dheeraratbongkot	6/6	4/4	-	4/4	
8. Mr. Parit Teekakirikul	-	3/4	-	3/4	
9. Mr. Seah Sin Loo	-	-/4	-	-/4	Foreign

Remarks : Meeting attendance = No. of particular member's presence for the meeting for the year/ Total no. of meeting held for the year

* means Independent Directors who is Audit Committee member.

12. Subcommittees

The company's Board of Directors appoint subcommittee to oversee the company's business as follow.

Audit Committee : Presently appointed from the Board of Directors' Meeting No. 2/2008 on February 15, 2008 whereby Mr. Prapas Rerkpiboon was appointed as the chairman of Audit Committee. At General Shareholders' Meeting 2008 on April 28, 2008, the members appointed Mr. Prasit Dheeraratbongkot to Audit Committee Director and the Board of Directors' Meeting No. 1/2009 on February 27, 2009 the members appointed Mr. Somchai Tungsisuk to Audit Committee Director.

Audit Committee had held constant meeting in Year 2009 for six times altogether and responsibly reported to the Board of Directors (According to the details in the topic 11 " Board of Directors' meeting ")

13. Internal audit and Control systems

Company has put in place effective and internal audit and control system, to cover the operations comprehensively with full cooperation by the supervisory, management and executive at all levels.

The Audit Committee is authorized by the Board of Directors to check the accuracy of Financial Statements, the adequacy and efficiency of the internal audit and control system, risk management and the fulfillment of other relevant duties.

The Audit Office is tasked to examine financial , managerial , operation and information systems as well as to access the adequacy of internal control of all functions undertaken by Audit results are reported directly to the Managing Director and to the Audit Committee to be checked and presented to the Board of Directors.

14. Report of the Board of Directors concerning of the financial statements and financial information

The Board of Directors is responsible for the financial statements and information reported in the Annual Report. The financial statements shown are prepared in accordance with Thai generally accepted accounting

principles. Such preparation has been applied with transparent accounting procedures and the intention to disclose sufficient information in the Notes to the financial statements. The Board of Directors realizes the necessity to have the complete and accurate accounting information, to affirm that the company's financial system follow good corporate governance philosophy and protect the undesirable consequences, either illegal actions or significant errors.

To achieve these goals, the Board of Directors has then appointed the Audit Committee, consisting of non-management directors, to oversee the quality of the financial statements and internal control processes. In conclusion, the Audit Committee has a reasonable opinion that the company's internal controls are satisfactorily reliable to ensure all confidences, from both internal and external. Roles, Duties and Responsibilities of The Board of Directors in Supervising and Monitoring the Company.

15. Investor Relations

Company is committed to fostering mutually beneficial relationships with and to disclosing important company information to its investors. Company has not set up an investor Relations Unit but assigned the duties to information Relation section and or Executive director to communicate and promoting productive ties between the company and its shareholders, investors, and analysts as well as business reporters. All investors can access the information by phone to 0-2805-2756-60 or www.distar.co.th

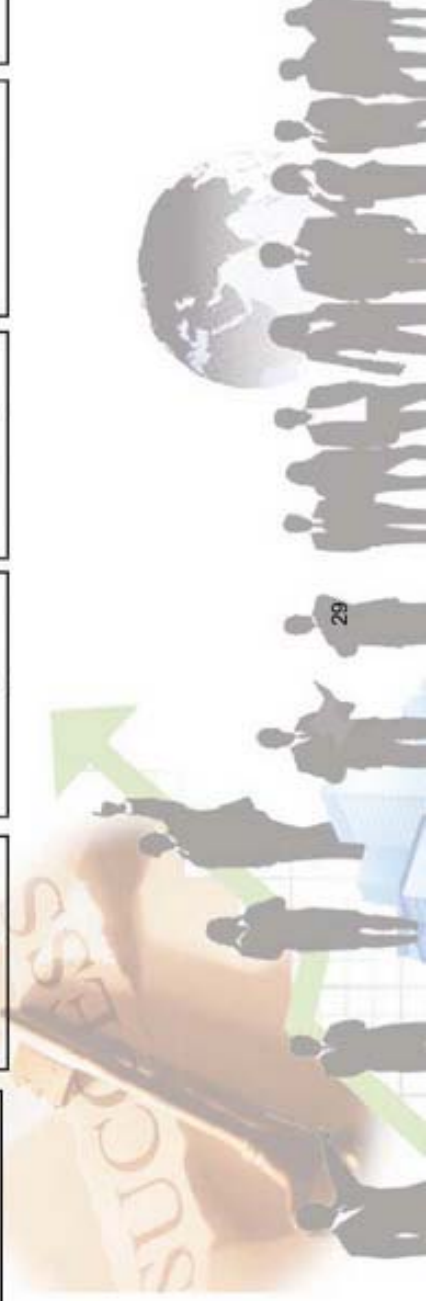
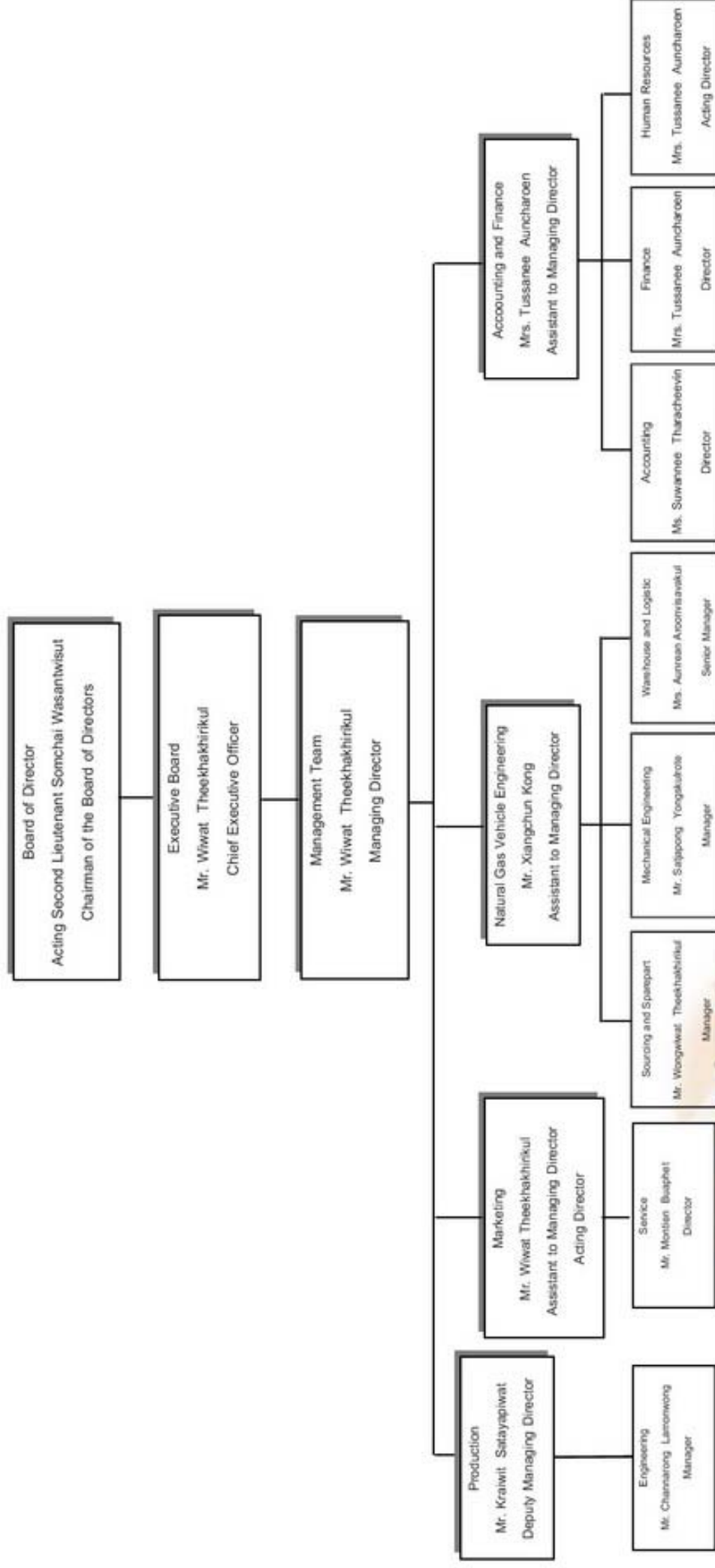
Assessing the Internal Information

The company has no writing about the internal information policy, since the company believes that all the board members and management executives must have high ethics not to use the proprietary information for personal benefits.

Nevertheless, the company has given the priority to monitor and secure the internal information usage, identifying that only authorized person or high level executives are allowed to assess the internal information before the shareholders' approval, with some limitations. In addition, the company has designated the Public Relation Office or the high level management to be entitled to provide information to public.



DiStar Electric Corporation Public Company Limited
Organization Chart





REPORT OF THE AUDIT COMMITTEE 2009

Opinion on the correctness of the company's financial report

For the first quarter balance sheet, and the year ended 2009 financial statement. The Audit Committee has opinions towards the company business that the company has properly followed through the principles of management in the year 2009. Also, the company has punctually completed all necessary financial reports both quarterly and annually, examined by qualified and authorized auditors. Audit Committee hereby checked through at all time and verified all company's quarterly and annually financial reports with auditors and relevant management members and unanimously agreed with the auditors that the mentioned financial statement of the company truly shows the significant financial status of the company in all aspects.

Opinion on the sufficiency of internal audit system

For the internal audit system and the working process efficiency of the organization whereby goal objectives and obligations of the management levels are goaled, there are controlling measures to allocate assets of the company to its maximum utilization. Appropriately dividing roles of task carriers, controllers, and internal auditors allows proper balanced mutual checking system.

The company has internal audit system to ensure the working procedures and its important financial activities are carried out according the accounting principles with efficiency. All transactions are done lawfully within the company's relevant objectives. However, the number of internal audit staffs is insufficient.

The Audit Committee has agreed that the company should increase number of internal auditors to further carry out auditing task with great efficiency.

Opinion on complying with laws of assets, rules, regulations ,and conditions set by Stock Exchange of Thailand, together with related business laws.

The audit committee agreed that the company sufficiently follows through the laws, rules, regulations and conditions set by the Stock Exchange of Thailand.

Opinion on the appropriateness of the auditors

The auditors, who are authorized by Ernst and Young Company Limited, fully arranged quarterly and annually reports on financial statements with punctuality and correctness according to the accounting principles.

Opinion on transactions involving conflicts of interest

None

The Audit committee gathered 6 meetings with the following details

Name	Times
Mr. Prapas Rerkpiboon	6
Mr.somchai Tungsrisk	6
Mr. Prasit Dheeraratbongkot	6

Opinion on the overall observations by the Audit Committee according to the Audit Committee Charter

The Audit Committee has satisfactorily agreed on the tasks being carried out according to the Audit Committee Charter.

Other topics that shareholders and general investors should be acknowledged

The Audit Committee agrees on the business risk management is being evaluated by the management and proper preventive measures have been implemented to manage the risk according to current situation, including risk affecting the business operation.



(Mr. Prapas Rerkpiboon)

Chairman of the Audit Committee

HIGER



(Mr. Somchai Tungsrisk)

Audit Committee Member



(Mr. Prasit Dheeraratbongkot)

Audit Committee Member

1. Operating Results for the year ending December 31, 2009

1.1 Sales and Service Income

During year 2009, the company generated incomes from sales and services total Baht 152 million decreased from the last year Baht 94 million or 38.21% due to the company's decrease of sales volume on NGV cylinder and vehicle. However, the company has more income from the bus operation business compared to previous year.

1.2 Other Incomes

The company's other incomes consisted of Baht 19 million, increased from last year of Baht 3 million or 18.75%. This mainly came from previous year's Exchange gains and Gains from sales of investment.

Other incomes in 2009 were from Interest gains on financial leases of Baht 3 million, gains from exchange rate of Baht 11 million, gains from sales of assets of Baht 2 million and others of Baht 3 million.

1.3 Cost of sales, Selling and administrative Expenditure

Cost of Sales of total Baht 143 million, decreased from previous year by Baht 87 million or 37.83%, the proportion of cost and sales revenue is in the same direction.

Selling and Administrative Expenditure of total Baht 70 million, increased by Baht 12 million or 20.69% from previous year as the company reduce the number of NGV production and the expenses still fixed. This year the company reduced number of staffs, hence, there are certain compensation expenses.

Loss from depreciation of assets, the company had lost Baht 216 million more or 100% as the company and the subsidiary company had reserved for loss from the depreciation of assets of CDMA 470MHZ project.

Finance cost of the company is from Interest Expenses of Baht 17 million, decreased by Baht 10 million or 37.04% from previous year due to decrease of loan and thus, interest rate.

1.4 Profit

Gross margin for this year is 6%, against 7% in 2008 which is in the same direction from previous year (the details are shown in the section 1.3 cost of sales). Global economic recession and the business competition caused selling prices to fall sharply.

In year 2009, the company recorded operating loss at 153.87% of total revenue, while last year recorded 23.12% of the revenue. This is mainly due to the decrease in sales and services incomes of Baht 91 million or 34.73%. The increase of selling and administrative expenditure of Baht 217 million or 126.90%. The percentage of decrease of income less than the percentage of administrative expenditure is mainly because the company had reserved loss from depreciation of assets for the improvement of CDMA 470 MHZ network project.

Rate of Return on Equity

The company operated loss during year 2009. Hence, rate of return on equity is negative.

2. Financial Status as at December 31, 2008.

1. Assets

1.1 Types of Assets

Total assets at the end of year 2009 is Baht 762 million, about Baht 298 million or 26.92% less compared to previous year.

1.1.1 Current Assets : decreased by Baht 12.8 million or 29.02% from last year.

- Trade accounts receivable – unrelated parties –net decreased by Baht 6 million or 26.09% because selling volume on trade accounts receivable-unrelated parties decreased and due payment were received on time.
- Current portion of finance lease receivables decreased by Baht 12 million or 50% mainly from sales of NGV Bus and received due payment.
- Inventory decreased by Baht 108 million or 31.95% because of the company's made a loss reserve for the depreciation of assets on improvement of CDMA470 MHZ net work project.

1.1.2 Non-current Asset: decreased Baht 170 million or 25.56%from last year as follows

- liability according to the leasing contract due within one year decrease Baht 16 million or 41.03%. This is mainly from the sales of Natural gas vehicle and received of due payment.
- Land, buildings, and equipment decrease Baht 76 million or 17.63% as one of our subsidiary company made a loss reserve for the depreciation of assets on improvement of CDMA470 MHZ net work project.
- Intangible assets increases Baht 14 million as one of the subsidiary bought a public bus operation license route 64 (Air-Con). The license period is 8 years 9 months (25th August 2009 – 31st May 2018)
- Non-current assets decrease Baht 93 million or 100% as one of our subsidiary company made a loss reserve for the depreciation of assets on improvement of CDMA470 MHZ net work project.

1.2 Quality of Assets

Account receivable collection period in 2009 is 166 days (137 days in 2008). The mentioned collection period is longer due to the difference in business field that changed from electrical appliances to NGV business.

An adequate reserved budget was set according to the predicted non-collectable debt. The reserved budget of year 2009 is 2.24% of the remaining account receivable at the year-end.

2. Liquidity

2.1 Cash flows

Within 2009, the company's net cash flows from operation is Baht 89 million, Bath 175 million less than previous year, derived mainly from decreasing inventory as one of our subsidiary company made a loss reserve for the depreciation of assets on improvement of CDMA470 MHZ net work project.

2.2 Liquidity Ratios

Current ratio (current asset/current liabilities) in 2009 is 0.69:1. This is considered less liquidity compared to previous year as in 2009 the company had less income from sales and services.

2.3 Collection and Payment Periods

Average debt collection period is 166 days while average payment period is 462 days. This was because the subsidiary company made no payment on liabilities for equipments and stations to upgrade of the mobile telephone network. Presently, the subsidiary company decided to stop the upgrading project and the matter is still pending for the TOT Board of Committee's meeting results.

3. Investment Expenditure

In 2009, the company invested in My Bus Company Limited, one of the company's subsidiary that operated public bus route 64 (Air-Con) and purchased a intangible asset – route license for 8 years and 9 months (25th August 2009 – 31st May 2018)

4. Sources of funds

4.1 Fund Structure

In 2009, Debt/Equity Ratio is 1.80:1 against 0.86:1 in previous year. This is due to the increment of company's long term loans from other financial institutions.

4.2 Shareholders' Equity

In year 2009, shareholders' equity is Baht 272 million, decreased by Baht 275 million compared to previous year as one of our subsidiary company made a loss reserve for the depreciation of assets on improvement of CDMA470 MHZ net work project.

4.3 Liabilities

In year 2009's total liabilities was Baht 490 million, less than previous year by Baht 23 million or 4.48%.

Current liabilities decreased by Baht 48 million or 11.01%. Details are as follow:

- Short-term loans from unrelated party decreased by Baht 86 million as the company paid up the Short-term loan.
- Long-term loans from the Bank due within one year increased by Baht 47 million or 167.85% as the sum being transferred from the long-term loans net due within one year.

Non-Current liabilities increased by Baht 24 million or 31.17%. Details are as follow:

- Liabilities under finance lease agreements due with in one year – net of current portion increased by Baht 33 million
- Long-term loan from related party - net of current portion due within one year decreased by Baht 14 million or 20% as the sum being transferred to the long-term loans net due within one year.

The company takes several measures to minimize financial risk, such as to buy forward contracts to cover foreign exchange exposures, when seems necessary, to evaluate and screen trade credit thoroughly.

3. Factors and main influences which has significant impact on company's operations or its financial status in the future

The Executive Committee set up annual business plan, and strategic actions to achieve its annual goals. These ensure that the company is able to adjust its management in a flexible style to bear the significant factors which may affect the company as listed below.

<u>Main Factors</u>	<u>Action Plan</u>
1. The Sufficiency of Productive Capacity, Raw Materials and Technological Advancements	1. Company can utilize the existent resources in an appropriate manner to suit current productive capacity and control the purchasing system by maintaining the raw materials sufficiently for manufacturing. Company can organize the circulation of inventories to catch up with the global rapidly changing price of raw materials.
2. Human Resources Development	2. Company promotes the education and development of all I personnel levels by providing the outside and inside training for all staffs to increase knowledge and the up-to-date working skills.
3. The Price of Raw Materials and Wages	3. The Company's purchasing department is to source or purchase raw materials, products from reliable resources, good quality and competitive prices. This includes recruiting workers at reasonable rates
4. Financial Assistant to Associated or Subsidiary companies for Contingent Liabilities in the future.	4. In case of rendering financial assistant to the Associated or subsidiary company, the company completely and transparently follows the rules and regulations of SET and able to be audited. The independent directors are to review and monitor the company's operations closely, for the most benefit of investors and stakeholders.

Remuneration of Auditor

Professional Fee

Item	office	Company Payment	Professional Fee		
			2007	2008	2009
1	Ernst & Young Office Limited	Distar Electric Corporation Plc.	760,000	950,000	950,000
2	Ernst & Young Office Limited	Star Com Co., Ltd.	240,000	240,000	240,000
3	Ernst & Young Office Limited	My BUS Co., Ltd.	-	-	130,000
Total			1,000,000	1,190,000	1,320,000

Other Fee



**Distar Electric Corporation Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2009 and 2008**

Report of Independent Auditor

To The Shareholders of Distar Electric Corporation Public Company Limited

I have audited the accompanying consolidated balance sheets of Distar Electric Corporation Public Company Limited and its subsidiaries as at 31 December 2009 and 2008, the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended, and the separate financial statements of Distar Electric Corporation Public Company Limited for same periods. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

Except as discussed in the following paragraph for the 2008 financial statement, I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

As discussed in Notes 8 and 13 to the consolidated financial statements of the Company and its subsidiaries and Notes 5, 11 and 16 to the separate financial statements of the Company, equipment of a subsidiary amounting to Baht 352 million as at 31 December 2008 was intended for use in the project to upgrade the Mobile Telephone Network to CDMA2000 1X, in accordance with the contract between the subsidiary and TOT Plc. The subsidiary decided to suspend the upgrade project, after it received a notification dated 22 January 2007 from the National Telecommunications Commission requesting an explanation of the subsidiary's upgrade project under the contract with TOT Plc., since it had not received a license to use communications equipment under the CDMA 2000 1X cellular system. In addition, the upgrade project of the subsidiary has been significantly delayed due to a delay in the receipt of a license to import the equipment of TOT Plc. The subsidiary wrote to TOT Plc. requesting that the contract be cancelled and that TOT Plc. purchase the equipment in which the subsidiary had invested. TOT Plc. sent a letter to the subsidiary informing it to continue the upgrade project and notifying it of the change of the completion date for the upgrade project

to be used for calculating the delay penalty. In addition, TOT Plc. sent the subsidiary another letter informing it that it had not breached the contract and that the subsidiary was not entitled to request that TOT Plc. cancel the contract and purchase the equipment in which the subsidiary had invested. The subsidiary rejected the revised completion date of the upgrade contract and requested that TOT Plc. reconsider the cancellation of the contract and the purchase of its equipment, since the upgrade contract might be in breach of the Private Sector Participation Act BE 2535. On 14 May 2007, the subsidiary received a letter from the Ministry of Information and Communications Technology, informing it that the matter of whether the Private Sector Participation Act BE 2535 would be breached had been forwarded to the Royal Decree Committee for a decision. On 18 October 2007 the negotiating committee of TOT Plc. and the subsidiary met to determine how to proceed following receipt of a letter from the Royal Decree Committee, dated 5 October 2007, stating that the 28 July 2005 contract to upgrade the 470 MHz network, dated after the effective date of the Private Sector Participation Act BE 2535, had the substance of a private sector participation in government business and counterparties should proceed in accordance with such act, and that TOT Plc., as the project owner, should therefore present the project to the Ministry of Information and Communications Technology and the Ministry of Finance for consideration before submitting it to the Cabinet for approval. The negotiating committee of TOT Plc. informed the subsidiary that TOT Plc. would have to notify the relevant agencies and that it expected the process to take more than one year. The subsidiary concluded that it therefore did not intend to fulfill the original contract and proposed to the negotiating committee of TOT Plc. that they consider purchasing all of the subsidiary's project equipment. The negotiating committee agreed to purchase the equipment relevant to the investment made by the subsidiary to upgrade the CDMA 470 MHz Mobile Telephone Network and sub-network. However, the negotiating committee also informed the subsidiary that the conclusions of the meeting represented the opinions of the negotiating committee and would need to be approved by the Board of Directors of TOT Plc. The Royal Decree committee subsequently issued a response stating that if TOT Plc. wished to exercise its right to terminate the agreement or TOT Plc. and the subsidiary agreed to terminate the agreement, such termination was to be performed in accordance with the principles and conditions stipulated in the agreement. The negotiating committee established by the subsidiary and TOT Plc. for the termination of the agreement and the purchase of project equipment reached an agreement and a preliminary conclusion and will propose this conclusion to the Board of Directors of TOT Plc. for approval. The Baht 352 million value of the equipment, and the inventories related to such project, which amount to Baht 133 million and Baht 117 million in the consolidated financial statements and separate financial statements, respectively, depends on the Board of Directors of TOT Plc. approving the

conclusion reached by the negotiating committee and the amount that TOT Plc. will pay thus remains uncertain. I have been unable to obtain sufficient documentary evidence to satisfy myself as to the recoverable value of such assets. The Baht 352 million of equipment, Baht 133 million of inventories and deposit paid in advance for payphones of Baht 93 million related to such project are highly significant to the separate financial statements, the subsidiary's financial statements and the consolidated financial statements.

Because I was unable to obtain sufficient documentary evidence, as discussed in the third paragraph, I am unable to express an opinion on the 2008 consolidated financial statements of Distar Electric Corporation Public Company Limited and its subsidiaries, and the separate financial statements of Distar Electric Corporation Public Company Limited.

Subsequently, Distar Electric Corporation Public Company Limited and the subsidiary arranged for an independent professional valuer to appraise the value of the equipment for use in the upgrade of the Mobile Telephone Network to CDMA2000 1X and the inventories related to that project. The valuation was used by the management of the Company and its subsidiary to determine the market value of those assets. The Company and its subsidiary adjusted the 2009 financial statements to record the value of those assets in accordance with the appraisal value, and recorded the Baht 238 million of impairment losses on assets and allowance for diminution in value of assets, as expenses in the 2009 consolidated income statement. The Company also recorded the impairment losses on assets and investment in that subsidiary amounting to Baht 230 million, as expenses in the 2009 separate income statements, as mentioned in Note 1.3. For these reasons, my opinion on the 2009 financial statements under this report differs from that previously expressed. In my opinion, the 2009 financial statements present fairly, in all material respects, the financial position of Distar Electric Corporation Public Company Limited and its subsidiaries and of Distar Electric Corporation Public Company Limited as at 31 December 2009, the results of their operations, and cash flows for the years then ended, in accordance with generally accepted accounting principles.



Sophon Permsirivallop
Certified Public Accountant (Thailand) No. 3182

Ernst & Young Office Limited
Bangkok: 25 March 2010

Distar Electric Corporation Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Assets					
Current assets					
Cash and cash equivalents		776,063	905,007	507,853	606,762
Trade accounts receivable - related parties	5, 7	-	-	11,313,587	8,212,700
Trade accounts receivable - unrelated parties - net	5	17,077,839	23,074,243	17,074,459	23,074,243
Current portion of finance lease receivables	6	12,013,197	23,921,750	12,013,197	23,921,750
Short-term loan and advances to related parties	7	300,018	-	16,521,523	245,050
Inventories - net	1.3, 8	229,615,624	337,707,700	219,656,208	323,776,841
Other current assets - net	9	6,990,170	9,338,568	5,528,120	8,843,439
Total current assets		266,772,911	394,947,268	282,614,947	388,680,785
Non-current assets					
Restricted bank deposits	10	1,622,767	-	466,692	-
Finance lease receivables - net of current portion	6	22,840,727	38,870,048	22,840,727	38,870,048
Investments in subsidiary companies - net	11	-	-	26,641,177	139,074,829
Property, plant and equipment - net	12	128,799,427	79,475,917	65,990,516	79,062,215
Network equipment - net	1.3, 13	226,208,000	351,804,518	-	-
Intangible assets - net	14	14,536,768	520,000	251,628	520,000
Non-operating assets - net	15	100,091,577	100,657,707	100,091,577	100,657,707
Other non-current assets - net	16	1,354,984	93,961,723	559,384	93,961,723
Total non-current assets		495,454,250	665,289,913	216,841,701	452,146,522
Total assets		762,227,161	1,060,237,181	499,456,648	840,827,307

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

Distar Electric Corporation Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from banks	17	45,440,170	131,362,077	45,440,170	131,362,077
Trade accounts payable - related party	7	6,671,020	3,147,060	6,671,836	3,147,060
Trade accounts payable - unrelated parties	18	172,668,818	185,782,856	3,891,831	9,379,810
Share payable	11	1,506,225	-	1,506,225	-
Short-term loan and advances from related parties	7	21,841	-	188,374	161,472
Current portion of long-term loan from related party	7	1,678,282	1,580,795	1,678,282	1,580,795
Provision	19	-	3,100,000	-	3,100,000
Current portion of other long-term loans	20	2,139,944	-	-	-
Current portion of liabilities under finance lease agreements	22	11,900,566	2,387,334	2,010,093	2,387,334
Current portion of long-term loans from banks	21	74,589,806	28,350,000	74,589,806	28,350,000
Accrued expenses	18	40,051,881	41,018,998	3,353,547	2,606,453
Other current liabilities		31,661,563	38,833,751	25,526,103	33,272,689
Total current liabilities		388,330,116	435,562,871	164,856,267	215,347,690
Non-current liabilities					
Long-term loan from related party - net of current portion	7	1,132,397	3,170,656	1,132,397	3,170,656
Liabilities under finance lease agreements - net of current portion	22	36,523,786	3,885,286	1,241,460	3,885,286
Other long-term loans - net of current portion	20	8,363,679	-	-	-
Long-term loans from banks - net of current portion	21	55,700,000	70,479,164	55,700,000	70,479,164
Total non-current liabilities		101,719,862	77,535,106	58,073,857	77,535,106
Total liabilities		490,049,978	513,097,977	222,930,124	292,882,796

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

Distar Electric Corporation Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2009 and 2008

(Unit: Baht)

	Consolidated financial statements		Separate financial statements		
	Note	2009	2008	2009	2008
Shareholders' equity					
Share capital					
Registered					
600,000,000 ordinary shares of Baht 1 each		600,000,000	600,000,000	600,000,000	600,000,000
Issued and fully paid up					
600,000,000 ordinary shares of Baht 1 each		600,000,000	600,000,000	600,000,000	600,000,000
Share premium		165,337,362	165,337,362	165,337,362	165,337,362
Retained earnings (deficit)					
Appropriated - statutory reserve		4,645,831	4,645,831	4,645,831	4,645,831
Unappropriated		(499,914,016)	(232,465,170)	(493,456,669)	(222,038,682)
Equity attributable to the Company's shareholders		270,069,177	537,518,023	276,526,524	547,944,511
Minority interest - equity attributable to minority shareholders of subsidiaries					
		2,108,006	9,621,181	-	-
Total shareholders' equity		272,177,183	547,139,204	276,526,524	547,944,511
Total liabilities and shareholders' equity		762,227,161	1,060,237,181	499,456,648	840,827,307
		0	0	0	0

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

Directors

Distar Electric Corporation Public Company Limited and its subsidiaries

Income statements

For the years ended 31 december 2009 and 2008

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2009	2008	2009	2008
Revenues					
Sales and service income		140,133,952	246,086,245	203,389,231	246,086,245
Income from bus service operator		12,258,182	-	-	-
Interest income on hire purchase and financial leases		3,289,279	5,581,480	3,289,279	5,581,480
Exchange gain		10,863,086	-	1,489,981	-
Gain from sale of assets		1,595,851	4,880,269	1,589,257	4,326,965
Other income		3,165,133	5,942,281	3,473,184	5,931,727
Total revenues		171,305,483	262,490,275	213,230,932	261,926,417
Expenses					
Cost of sales and service		134,305,221	230,440,567	197,560,500	230,440,567
Cost of bus service operator		9,383,246	-	-	-
Selling expenses		12,032,099	13,123,470	12,032,099	13,123,470
Administrative expenses		49,842,174	37,049,247	41,139,609	35,334,720
Management benefit expenses		7,893,500	8,174,200	7,088,000	7,718,200
Impairment loss of assets		215,811,298	-	211,890,834	-
Provision	19	-	3,100,000	-	3,100,000
Exchange loss		-	7,932,147	-	586,495
Total expenses		429,267,538	299,819,631	469,711,042	290,303,452
Loss before finance cost		(257,962,055)	(37,329,356)	(256,480,110)	(28,377,035)
Finance cost		(17,399,353)	(27,433,797)	(14,937,877)	(22,792,027)
Net loss for the year		(275,361,408)	(64,763,153)	(271,417,987)	(51,169,062)
Net loss attributable to:					
Equity holders of the parent		(263,589,334)	(60,684,907)	(271,417,987)	(51,169,062)
Minority interest of the subsidiaries		(11,772,074)	(4,078,246)		
		(275,361,408)	(64,763,153)		
Basic earnings per share					
Net loss	25	-0.44	-0.13	-0.45	-0.11
Weighted average number of common stock (shares)		600,000,000	485,232,496	600,000,000	485,232,496

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

Distar Electric Corporation Public Company Limited and its subsidiaries

Statements of cash flows

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Cash flows from operating activities				
Net loss for the year	(275,361,408)	(64,763,153)	(271,417,987)	(51,169,062)
Adjustments to reconcile net loss to net cash provided by (paid for) operating activities:-				
Depreciation and amortisation	15,478,790	9,743,722	11,488,039	9,451,026
Increase in allowance for doubtful accounts	887,379	2,129,920	887,379	2,129,920
Increase in allowance for diminution in value of inventories	17,525,681	3,519,326	13,556,014	3,519,326
Unrealised loss (gain) on exchange	(10,262,195)	(2,867,742)	(889,090)	4,477,911
Assets written off	1,682,018	5,371,194	360,875	5,194,508
Provision	-	3,100,000	-	3,100,000
Gain from disposal of assets	(1,518,147)	(5,683,718)	(1,511,553)	(5,130,415)
Increase in allowance for impairment loss	215,811,298	-	211,890,834	-
Interest income	(52,813)	(99,955)	(432,027)	(99,948)
Interest expenses	15,204,645	27,259,825	14,803,962	22,618,055
Loss from operating activities before changes in operating assets and liabilities	(20,604,752)	(22,290,581)	(21,263,554)	(5,908,680)
Decrease (increase) in operating assets				
Trade accounts receivable - related parties	-	-	(3,100,887)	6,125,300
Trade accounts receivable - unrelated parties	5,658,094	(7,096,907)	5,645,009	(12,222,210)
Finance lease receivables	27,405,271	18,733,932	27,405,271	18,733,932
Advances to and other receivable - related parties	(300,018)	122	(912,473)	(194,424)
Inventories	93,938,247	(45,782,258)	93,936,471	(45,817,622)
Other current assets	4,385,213	2,560,924	4,038,528	2,161,260
Other non-current assets	2,698,181	1,896,571	558,381	1,710,398
Increase (decrease) in operating liabilities				
Trade accounts payable - related party	3,523,960	3,147,060	3,524,776	3,147,060
Trade accounts payable - unrelated parties	(16,107,828)	(48,293,801)	(5,843,061)	(57,125,402)
Advance from related parties	(1,565,825)	-	26,902	(404,521)
Other current liabilities	(10,118,512)	10,953,664	(9,631,573)	8,242,883
Cash flows from (used in) operating activities	88,912,031	(86,171,274)	94,383,790	(81,552,026)
Cash paid for corporate income tax	(296,322)	(203,974)	(280,340)	(188,082)
Net cash flows from (used in) operating activities	88,615,709	(86,375,248)	94,103,450	(81,740,108)

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

Distar Electric Corporation Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Cash flows from investing activities				
Acquisition of a subsidiary (Note 11)	-	-	(7,667,306)	-
Acquisition of a subsidiary, net of cash acquired (Note 11)	(7,002,601)	-	-	-
Interest income	52,813	87,252	432,027	87,246
Increase in short-term loans to related parties	-	-	(15,364,000)	-
Proceeds from disposal of fixed assets	3,921,066	9,383,988	3,844,505	4,459,731
Proceeds from disposal of non-operating assets	5,935,303	4,467,477	5,935,303	4,467,477
Cash receipt from disposal of other non-current asset	-	2,800,000	-	2,800,000
Cash paid for decoration of non-operating assets	(2,087,423)	(4,382,022)	(2,087,423)	(4,382,022)
Purchase of equipment	(4,956,726)	(16,173,484)	(4,889,767)	(16,064,824)
Purchase of intangible assets	(14,935,600)	(350,000)	(50,400)	(350,000)
Net cash used in investing activities	(19,073,168)	(4,166,789)	(19,847,061)	(8,982,392)
Cash flows from financing activities				
Decrease in bank overdrafts and short-term loans from banks	(6,589,489)	(40,935,863)	(6,589,489)	(40,935,863)
Increase (decrease) in trust receipts	(78,526,038)	91,778,120	(78,526,038)	91,778,120
Decrease (increase) in restricted bank deposits	(1,622,767)	3,822,750	(466,692)	3,822,750
Decrease in short-term loans from unrelated party	-	(77,000,000)	-	(77,000,000)
Decrease in short-term loan from related party	-	(5,500,000)	-	(5,500,000)
Cash receipt from long-term loan from related party	-	4,751,451	-	4,751,451
Repayment of long-term loan from related party	(1,940,772)	-	(1,940,772)	-
Cash paid under finance lease	(7,916,197)	(4,197,648)	(3,292,986)	(4,197,648)
Cash receipt from other long-term loans	10,503,623	-	-	-
Repayment of long-term loans from banks	(20,439,358)	(17,800,000)	(20,439,358)	(17,800,000)
Cash receipt from long-term loans from banks	51,900,000	-	51,900,000	-
Cash received from capital increase	-	157,395,433	-	157,395,433
Cash paid for interest expenses	(15,040,487)	(21,554,371)	(14,999,963)	(21,554,371)
Net cash from (used in) financing activities	(69,671,485)	90,759,872	(74,355,298)	90,759,872
Net increase (decrease) in cash and cash equivalents	(128,944)	217,835	(98,909)	37,372
Cash and cash equivalents at beginning of year	905,007	687,172	606,762	569,390
Cash and cash equivalents at end of year	776,063	905,007	507,853	606,762
	0	0	0	0

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

Distar Electric Corporation Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Supplemental cash flows information: -				
Non-cash transactions: -				
Accounts payable - purchases of assets	449,269	170,000	449,269	170,000
Provision	-	3,100,000	-	3,100,000
Transfer vehicles under sales agreement with a related buyer to fixed assets	-	9,083,676	-	9,083,676
Transfer equipment to inventories and other assets	3,826,198	-	3,826,198	-
Share payable	1,506,225	-	1,506,225	-

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

Distar Electric Corporation Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Consolidated financial statements					Total	
	Equity attributable to the parent's shareholders			Minority interest -			
	Issued and paid-up share capital	Share premium	Retained earnings (deficit)		Total equity attributable to the parent's shareholders		equity attributable to minority shareholders of subsidiary
Statutory reserve			Unappropriated				
Balance - as at 1 January 2008	403,255,708	204,686,221	4,645,831	(171,780,263)	440,807,497	60,199,427	501,006,924
Share receivable	-	-	-	-	-	(46,500,000)	(46,500,000)
Net loss for the year	-	-	-	(60,684,907)	(60,684,907)	(4,078,246)	(64,763,153)
Share capital issued	196,744,292	(39,348,859)	-	-	157,395,433	-	157,395,433
Balance - as at 31 December 2008	600,000,000	165,337,362	4,645,831	(232,465,170)	537,518,023	9,621,181	547,139,204
Balance - as at 1 January 2009	600,000,000	165,337,362	4,645,831	(232,465,170)	537,518,023	9,621,181	547,139,204
Adjustment in equity following to the new calculation of the percentage holdings (Note 1.4)	-	-	-	(3,859,512)	(3,859,512)	3,859,512	-
Net loss for the year	-	-	-	(263,589,334)	(263,589,334)	(11,772,074)	(275,361,408)
Minority interest arising on business combination (Note 11)	-	-	-	-	-	399,387	399,387
Balance - as at 31 December 2009	600,000,000	165,337,362	4,645,831	(499,914,016)	270,069,177	2,108,006	272,177,183
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

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

Distar Electric Corporation Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Separate financial statements				
	Issued and paid-up share capital	Share premium	Retained earnings (deficit)		Total
			Statutory reserve	Unappropriated	
Balance - as at 1 January 2008	403,255,708	204,686,221	4,645,831	(170,869,620)	441,718,140
Net loss for the year	-	-	-	(51,169,062)	(51,169,062)
Share capital issued	196,744,292	(39,348,859)	-	-	157,395,433
Balance - as at 31 December 2008	<u>600,000,000</u>	<u>165,337,362</u>	<u>4,645,831</u>	<u>(222,038,682)</u>	<u>547,944,511</u>
Balance - as at 1 January 2009	600,000,000	165,337,362	4,645,831	(222,038,682)	547,944,511
Net loss for the year	-	-	-	(271,417,987)	(271,417,987)
Balance - as at 31 December 2009	<u>600,000,000</u>	<u>165,337,362</u>	<u>4,645,831</u>	<u>(493,456,669)</u>	<u>276,526,524</u>
	-	-	-	-	-
	-	-	-	-	-

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

Distar Electric Corporation Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the years ended 31 December 2009 and 2008

1. General information

1.1 Corporate information

Distar Electric 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 NGV cars and telecommunications equipment. The Company's registered office is located at 114-114/1, Moo 9 Soi Phetchakasem 54, Phetchakasem Road, Bangduan, Phasicharoen, Bangkok.

In July 2009, the Local Registration Officer has changed the Company's registered office to be 81-81/1, Soi Phetchakasem 54 sub 3, Phetchakasem Road, Bangduan, Phasicharoen, Bangkok.

1.2 Fundamental accounting assumptions

The Company has suffered persistent operating losses over a number of years, and had an operating loss of Baht 243 million and Baht 51 million for the years ended 31 December 2009 and 2008, respectively. Although these circumstances raise substantial doubt about the Company's ability to continue as a going concern, the management is in the process of improving changes to the Company's operating plans. For this reason, the financial statements have been prepared on the going concern basis, without including the adjustments that might be required should the Company be unable to continue as a going concern.

1.3 Estimation of recoverable amount of assets

On 8 March 2010, a subsidiary arranged for an independent professional valuer to appraise the value of equipment and the inventories related to the upgrade of the mobile telephone network infrastructure to CDMA2000 1X system project. The valuation was made to provide the subsidiary's management with a market value of the assets. The subsidiary adjusted the value of those assets to correspond to the appraised value, and recorded a Baht 126 million allowance for impairment loss on equipment and a Baht 4 million allowance to reduce cost to net realizable value as expenses in the 2009 income statement. The base of such valuation was replacement

cost less accumulated depreciation from use, and depreciation due to economic changes and changing technology.

On 8 March 2010, the Company arranged for an independent professional valuer to appraise the value of the inventories related to the above subsidiary's project. The valuation was made to provide the Company's management with a market value of the assets. The Company adjusted the value of the assets in accordance with the appraised value and recorded Baht 15 million allowance to reduce cost to net realizable value as expenses in the 2009 income statement. The base of such valuation was replacement cost less accumulated depreciation from use and depreciation due to economic changes and changing technology.

After the subsidiary adjusted the value of the assets, shareholders' equity of the subsidiary was significantly reduced. The Company therefore recorded additional allowance for impairment loss on investment in such subsidiary, including allowance for impairment on deposit paid in advance for payphones. The adjustments for the year 2009 are summarised as follows.

(Unit: Million Baht)			
	Notes	Consolidated financial statements	Separate financial statements
Adjust the value of the assets in accordance with the appraised value of the independent professional valuer			
Allowance for diminution in value of inventories	8	19	15
Allowance for impairment loss on equipment	13	126	-
Total		145	15
Adjust the value of the assets in accordance with the appraised value of the management			
Allowance for impairment loss on deposit paid in advance for payphones	16	93	93
Allowance for impairment loss on investment in subsidiary	11	-	122
Total		93	215
Total of adjustments		238	230

1.4 Adjustment in equity following to the new calculation of the percentage holdings

In 2009, the Company adjusted the equity attributable to the parent's shareholders and minority shareholders of StarCom Company Limited in accordance with the new calculation of the percentage holdings, as if those with share payments outstanding did not intend to purchase additional shares of that subsidiary. This caused the Company's shareholding in this subsidiary to change from 70% to 90%. The Company adjusted its equity by Baht 3.9 million in the 2009 financial statements on the basis of the new shareholding. The Company did not retroactively adjust the 2008 financial statements to reflect the new shareholding because the effect would be immaterial.

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 30 January 2009, 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 the Thai language financial statements.

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) The consolidated financial statements include the financial statements of the Company and the following subsidiary companies, with the new investment in a subsidiary during the year described in Note 11.

Company's name	Nature of business	Percentage of shareholding in shareholders' list		Country of incorporation	Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the years ended 31 December	
		2009	2008		2009	2008	2009	2008
		Percent	Percent		Percent	Percent	Percent	Percent
StarCom Co., Ltd.	Telecommunications business	70.00	70.00	Thailand	31.27	34.61	5.48	0.21
My Bus Co., Ltd.	Bus service operator	95.16	-	Thailand	10.47	-	7.19	-

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

3. Adoption of new accounting standards

In June 2009, the Federation of Accounting Professions issued Notification No. 12/2552, assigning new numbers to Thai Accounting Standards that match the corresponding International Accounting Standards. The numbers of Thai Accounting Standards as referred to in these financial statements reflect such change.

The Federation of Accounting Professions has issued Notification No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows.

3.1 Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year

Framework for the Preparation and Presentation of Financial Statements
(revised 2007)

TAS 36 (revised 2007)

Impairment of Assets

TFRS 5 (revised 2007)

Non-current Assets Held for Sale and Discontinued
Operations

Accounting Treatment Guidance for Leasehold Right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standard and accounting treatment guidance became 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 Accounting Treatment Guidance for Business Combination under Common Control is not relevant to the business of the Company, while Framework for Preparation and Presentation of Financial Statements (revised 2007), TAS 36 (revised 2007), TFRS 5 (revised 2007) and Accounting Treatment Guidance for leasehold right 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

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
TAS 24 (revised 2007)	Related Party Disclosures	1 January 2011
TAS 40	Investment Property	1 January 2011

However, TAS 24 (revised 2007) and TAS 40 allow early adoption by the entity before the effective date.

The management of the Company has assessed the effect of these standards and believes that TAS 20 is not relevant to the business of the Company, while TAS 24 (revised 2007) and TAS 40 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 recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Interest income on financial leases

In recognising revenue from hire purchase and financial leases contracts, the Company recognises profit on differences between the cash sales price and the cost of the goods as income in full in the year the agreement is executed and it received the first installment, and recognises the interest element (which represents the difference between the cash price and the financial leases price) over the period of payment, using the annuity method, with interest income recognised when the installments fall due irrespective of when actual collection is made. Recognition of interest income ceases for hire purchase and financial leases receivables which are overdue by more than 3 installments.

Rendering of services

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 Finance lease receivables

Hire purchase and finance lease receivables are stated at net realisable value, which consists of the contract value of the hire purchase net of unearned finance lease income. Allowance for doubtful accounts is provided for the estimated collection losses that may be incurred in collection of receivables.

4.5 Inventories

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

Raw materials and other materials are valued at the lower of average cost and net realizable value and are charged to production costs whenever consumed.

Allowance for diminution in value of inventory is made for damaged, slow-moving and obsolete stocks.

4.6 Investments

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

The weighted average method is used for computation of the cost of investments.

4.7 Property, plant and equipment and depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to cost on a straight-line basis over the estimated useful lives of the assets, which are as follows: -

	<u>The Company</u>	<u>Subsidiaries</u>
Land improvements	20 years	-
Buildings and leasehold improvements	20 years	-
Machinery and factory equipment	5 years	-
Motor vehicles	5 years	5 and 10 years
Office furniture, fixtures and equipment	3 and 5 years	3, 5 and 10 years
Building leaseholds	Over the lease period	5 years

Depreciation is included in determining income.

No depreciation is provided for land, network and equipment under installation.

4.8 Intangible asset

Intangible asset is measured at cost on the date of acquisition. Following initial recognition, intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible asset with finite lives is amortised 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 amortisation period and the amortisation method of such intangible asset are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

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

	<u>The Company</u>	<u>Subsidiaries</u>
Computer software	3 years	-
Right to operate a bus service	-	The remaining period of the license (approximately 9 years)

4.9 Goodwill

Goodwill is initially measured at cost, which is the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

4.10 Network equipment and non-operating assets

Network equipment and non-operating assets are stated at cost less allowance for impairment (if any).

4.11 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.

4.12 Long-term leases

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. The equipment acquired under finance leases is depreciated over the useful life of the asset.

The Company records fixed assets (sale and leaseback) under finance leases as assets and liabilities as described above.

4.13 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.

4.14 Impairment of assets

At each reporting date, the Company and its subsidiaries perform 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 recognised 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 and its subsidiaries 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 recognised in the income statement.

4.15 Warranty reserve for claim of goods

The Company records warranty for claim of goods on an accrual basis at a percentage of sale, based on prior experience.

4.16 Employee benefits

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

4.17 Provisions

Provisions are recognised 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.

4.18 Income tax

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

4.19 Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the balance sheet date. Gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

4.20 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 judgements and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset have been transferred, taking into consideration terms and conditions of the arrangement.

Allowance for doubtful accounts

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

Allowance for impairment on equity investments

The Company treats investments in subsidiaries and other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value of such investments below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment.

Allowance for impairment of other assets

The management records impairment loss on other assets in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgment in terms of projecting future revenue and expense relating to the assets subject to review.

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 and its subsidiaries' plant and equipment and to review estimate useful lives and salvage values when there are any changes.

Warranty reserve for claim of goods

In determining warranty reserve for claim of goods, the management needs to exercise judgment in estimating the warranty expense expected to be incurred in respect of each sales transaction, taking into account prior experience.

Litigation

The Company and its subsidiaries have contingent liabilities as a result of litigation. The management of the Company and its subsidiaries has used judgment to assess the results of the litigation and believe that no losses will be incurred in addition to the amounts recorded at the balance sheet date.

5. Trade accounts receivable

Trade accounts receivable as at 31 December 2009 and 2008 are below classified by aging:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Trade accounts receivable - related party				
Not yet due	-	-	110	-
Overdue				
1 - 3 months	-	-	403	-
4 - 6 months	-	-	88	-
7 - 12 months	-	-	2,500	-
Over 12 months	-	-	8,213	8,213
Total	-	-	11,314	8,213

As at 31 December 2009 and 2008, the Baht 8.2 million amount in trade account receivable - related party was receivable from StarCom Company Limited, of which the recoverable value depends on the project to upgrade the 470MHz Mobile Telephone Network to CDMA2000 1X. As discussed in Note 13, the upgrade project is currently being negotiated with TOT Plc., a counterparty.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Trade accounts receivable - unrelated parties				
Post dated cheques	2,750	4,360	2,750	4,360
Trade accounts receivable				
Not yet due	1,097	587	1,093	587
Past due - Up to 3 months	13,001	17,228	13,001	17,228
Past due - Over 3 months	379	1,144	379	1,144
Returned cheques	1,040	1,048	1,040	1,048
Total	18,267	24,367	18,263	24,367
Less: Allowance for doubtful accounts	(1,189)	(1,293)	(1,189)	(1,293)
Net	17,078	23,074	17,074	23,074

6. Finance lease receivables

As at 31 December 2009 and 2008, the balance of the finance lease receivables was presented as follows.

(Unit: Thousand Baht)

	Consolidated financial statements / Separate financial statements	
	2009	2008
Finance lease receivables		
- receivable with in 1 year	14,381	27,909
- 2 to 5 years	27,856	43,238
Total finance lease receivables	42,237	71,147
Less : unearned finance lease income	(6,391)	(8,355)
Total finance lease receivables -net	35,846	62,792
Less: Allowance for doubtful accounts	(992)	-
Net	34,854	62,792

As at 31 December 2009, accounts receivable of Baht 14.3 million were placed as security for a credit facility from a bank, with the Company transferring the rights to make collection to the bank.

As at 31 December 2009 and 2008, the balance of the finance lease receivables (net of unearned finance lease income) was classified by aging as follows.

(Unit: Thousand Baht)

	Finance lease receivables - net	
	2009	2008
Current	34,658	57,027
Past Due		
1 - 3 months	71	5,685
4 - 6 months	302	80
7 - 12 months	614	-
Over 12 months	201	-
Total	35,846	62,792
Less: Allowance for doubtful accounts	(992)	-
Net	34,854	62,792

Eight finance lease receivables entered into the additional agreements with the Company, whereby they were to obtain loans from financial institutions and settled the majority of their debts, and the debts were guaranteed by partners of the receivables.

7. Related parties transactions

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		
	For the years ended 31 December		For the years ended 31 December		Transfer Pricing Policy
	2009	2008	2009	2008	
<u>Transactions with subsidiary companies</u>					
Sales of goods	-	-	63,336	-	Cost plus a margin
Interest income	-	-	379	-	6.125 percent per annum
<u>Transactions with related company</u>					
Purchases of goods	-	8,630	-	8,630	Cost plus a margin of 2%

The balances of the accounts as at 31 December 2009 and 2008 between the Company and those related parties are as follows:

(Unit: Thousand Baht)				
	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
<u>Trade accounts receivable - related parties</u>				
Subsidiaries				
StarCom Company Limited	-	-	8,213	8,213
My Bus Company Limited	-	-	3,101	-
Total	-	-	11,314	8,213
<u>Short-term loan and advances to related parties</u>				
Subsidiaries				
StarCom Company Limited	-	-	1,312	245
My Bus Company Limited	-	-	14,910	-
Related company				
Chaiviboon Intertrade Limited Partnership	300	-	300	-
Total	300	-	16,522	245
<u>Trade accounts payable - related party</u>				
Related company				
Chaiviboon Intertrade Limited Partnership	6,672	3,147	6,672	3,147
Total	6,672	3,147	6,672	3,147
<u>Short-term loan and advances from related parties</u>				
Subsidiary				
StarCom Company Limited	-	-	166	161
Related company				
Chaiviboon Intertrade Limited Partnership	22	-	22	-
Total	22	-	188	161
<u>Long-term loan from related party</u>				
Related company				
Chaiviboon Intertrade Limited Partnership	2,811	4,752	2,811	4,752
Total	2,811	4,752	2,811	4,752

During the current year, the balances of loans to related parties have movements as follows:

(Unit: Thousand Baht)

	Separate financial statements		
	31 December 2008	Increase	31 December 2009
<u>Short-term loans to related parties</u>			
<u>Subsidiaries</u>			
StarCom Company Limited	-	507	507
My Bus Company Limited	-	14,500	14,500
Total	-	15,007	15,007

Short-term loans to subsidiaries mature at call and carry interest at a rate of 6.125 percent per annum.

Loan from a related company was a Baht 5.3 million downpayment under a vehicle sales agreement of Baht 10.8 million with Chaiviboon Intertrade Limited Partnership (a related company). Under this agreement, the Company will buy-back such vehicles and it therefore did not record the sales under the agreement. The Company subsequently entered into a lease agreement with the buyer in order to lease those vehicles for a period of 36 months, with total rental of Baht 7.0 million. Nevertheless, the vehicles have been pledged to secure a loan of the related buyer from a financial institution.

8. Inventories

As at 31 December 2008, the inventories balance included inventories of the Company and its subsidiary of Baht 117 million and Baht 16 million, respectively, which are related to the project to upgrade the 470 MHz system of mobile telephone network infrastructure to CDMA2000 1X system. As discussed in Note 13, the upgrade project is currently being negotiated with TOT Plc., a counterparty.

Later, on 8 March 2010, the Company and a subsidiary arranged for an independent professional valuer to appraise the value of such inventories, as mentioned in Note 1.3. The Company and its subsidiary adjusted the value of inventories to accord with the appraised value and recorded allowances to reduce cost to net realisable value, of Baht 19 million and Baht 15 million, as expenses in the 2009 consolidated income statement and separate income statement, respectively. These amounts were a part of the allowances to reduce cost to net realisable value amounting to Baht 21 million and Baht 17 million in the consolidated financial statement and separate financial statement, respectively.

As at 31 December 2009, such inventories of the Company amounting to Baht 99 million (2008: Baht 114 million) were pledged with a bank to secure the Company's credit facilities.

(Unit: Thousand Baht)

Consolidated financial statements								
Allowance for diminution in value of inventories								
Reduction cost to net								
	Cost		realisable value		Stock obsolescence		Inventories-net	
	2009	2008	2009	2008	2009	2008	2009	2008
Finished goods	241,866	286,178	(21,040)	(5,266)	(4,631)	(2,866)	216,195	278,046
Work in process	383	28,998	-	-	-	-	383	28,998
Raw materials and spare parts	13,290	12,795	-	-	(1,072)	(1,121)	12,218	11,674
Goods in transit	1,740	19,910	-	-	(920)	(920)	820	18,990
Total	257,279	347,881	(21,040)	(5,266)	(6,623)	(4,907)	229,616	337,708

(Unit: Thousand Baht)

Separate financial statements								
Allowance for diminution in value of inventories								
Reduction cost to net								
	Cost		realisable value		Stock obsolescence		Inventories-net	
	2009	2008	2009	2008	2009	2008	2009	2008
Finished goods	228,124	272,247	(17,071)	(5,266)	(4,631)	(2,866)	206,422	264,115
Work in process	383	28,998	-	-	-	-	383	28,998
Raw materials and spare parts	13,103	12,795	-	-	(1,072)	(1,121)	12,031	11,674
Goods in transit	1,740	19,910	-	-	(920)	(920)	820	18,990
Total	243,350	333,950	(17,071)	(5,266)	(6,623)	(4,907)	219,656	323,777

9. Other current assets

Allowance for impairment loss of current assets as at 31 December 2009 and 2008 amounted to Baht 2 million.

10. Restricted bank deposits

As at 31 December 2009, the Company and its subsidiary have used bank deposits as guarantee for credit facilities from banks.

11. Investments in subsidiary companies

(Unit: Thousand Baht)					
Company's name	Paid-up share capital Million Baht	Percentage holding		Separate financial statements	
				Cost method	
		2009	2008	2009	2008
<u>Investments in subsidiary companies</u>		Percent	Percent		
StarCom Co., Ltd.	206	90.41	70.00	144,200	144,200
My Bus Co., Ltd.	32	95.16	-	9,173	-
Total				153,373	144,200
Less: Allowance for loss on diminution in value of investment					
- Brought forward				(5,125)	(5,125)
- Allowance made during the year				(121,607)	-
- Total				(126,732)	(5,125)
Net				26,641	139,075

On 13 May 2009, the Company's Board of Directors passed a resolution to acquire 95.16% of the shares of My Bus Company Limited, which is a bus service operator, from its existing shareholders at the total of Baht 9 million. The Company acquired this investment in June 2009.

The fair value of net asset of such subsidiary company at the investment date consisted of the following:

	(Unit: Thousand Baht)
Cash and cash equivalent	665
Trade accounts receivable	16
Equipment - net	65,720
Other assets	4,233
Total assets	70,634
Trade account payable	10,298
Short-term loan from director	1,588
Liabilities under finance lease agreement - net	49,796
Other liabilities	700
Total liabilities	62,382
Net	8,252
Less: Minority interests (4.84%)	(399)
Total net assets acquired	7,853
Goodwill arising on acquisition	1,321
Purchase price	9,174
Less: Share payable	(1,506)
Less: Cash and cash equivalent of subsidiary	(665)
Cash outflow from acquisition of subsidiary, net of cash acquired	7,003

During the year, the Company wrote off goodwill arising on acquisition of the subsidiary to expenses, in order to reflect the operating results of that subsidiary in the current economic environment.

As at 31 December 2009, the Company had commitments amounting to approximately Baht 55 million in respect of the unpaid shares in My Bus Company Limited.

As at 31 December 2009, the Company has commitments of Baht 66 million in respect of the unpaid portion of the additional shares it is acquiring in StarCom Company Limited in accordance with the resolution of the Extraordinary Meeting of the Company's shareholders held on 26 September 2005.

The core business of StarCom Company Limited, a subsidiary, is the upgrading of a mobile telephone network from the 470MHz system to the CDMA2000 1X system. As at 31 December 2008, the recoverable value of the network infrastructure and equipment under installation, which were the main assets of this project, amounting to Baht 352 million, was uncertain as discussed in Note 13. The value of these assets was material to the subsidiary's financial statements, and thus the value of the Company's investment in this subsidiary depends upon the recoverable value of the assets through the operation of this project.

Later, on 8 March 2010, the subsidiary arranged for an independent professional valuer to appraise the value of equipment for upgrading the mobile telephone network infrastructure to CDMA2000 1X system and the inventories related to the project, as mentioned in Note 1.3. After the subsidiary adjusted the value of assets to accord with the appraised value, its shareholders' equity was significantly reduced from Baht 149 million to Baht 19 million. The Company therefore recorded additional allowance for impairment loss on investment in such subsidiary amounting to Baht 122 million as expense in the 2009 income statement.

12. Property, plant and equipment

Consolidated financial statements

(Unit: Baht)

	Land and land improvement	Building and leasehold improvements	Leasehold buildings	Machinery and factory equipment	Motor vehicles	Office furniture, fixtures and equipment	Equipment under installation	Total
Cost								
31 December 2008	24,107,461	69,391,882	2,200,000	9,814,920	22,711,815	27,851,605	2,679,588	158,757,271
Acquisitions of a subsidiary (Note 11)	-	-	-	-	67,770,000	66,959	-	67,836,959
Addition	-	-	-	508,434	-	158,203	4,223,130	4,889,767
Disposals / Written-off assets	-	-	-	(38,300)	(5,811,279)	(2,130,069)	(2,301,146)	(10,080,794)
Transfer in / Transfer out	-	269,946	-	-	3,720,012	118,312	(4,108,270)	-
31 December 2009	24,107,461	69,661,828	2,200,000	10,285,054	88,590,548	26,065,010	493,302	221,403,203
Accumulated depreciation								
31 December 2008	205,879	40,423,703	2,004,445	6,418,636	4,750,164	25,478,527	-	79,281,354
Acquisitions of a subsidiary (Note 11)	-	-	-	-	2,049,961	-	-	2,049,961
Depreciation for the year	-	4,815,614	146,667	1,096,191	7,613,594	887,694	-	14,559,960
Depreciation for disposals / written-off	-	-	-	(38,298)	(1,643,267)	(1,605,934)	-	(3,287,499)
31 December 2009	205,879	45,239,517	2,151,112	7,476,529	12,770,452	24,760,287	-	92,603,776
Net book value								
31 December 2008	23,901,582	28,968,179	195,555	3,396,284	17,961,651	2,373,078	2,679,588	79,475,917
31 December 2009	23,901,582	24,422,311	48,888	2,808,525	75,820,096	1,304,723	493,302	128,709,427
Depreciation for the year								
2008 (Baht 3 million included in cost of sales and services, and the balance in selling and administrative expenses)								9,743,722
2009 (Baht 4 million included in cost of sales and services, and the balance in selling and administrative expenses)								14,559,960

The subsidiary's vehicles with net book values as at 31 December 2009 of Baht 62 million have been pledged to secure the loans it obtained from financial institutions to pay for part of the cost of the buses according to bus sales agreement.

Separate financial statements

(Unit: Baht)

	Land and land improvement	Building and leasehold improvements	Building leasehold	Machinery and factory equipment	Motor vehicles	Office furniture, fixtures and equipment	Equipment under installation	Total
<u>Cost</u>								
31 December 2008	24,107,461	69,391,881	2,200,000	9,481,790	22,711,815	26,969,293	2,679,589	157,541,829
Additions	-	-	-	508,434	-	158,203	4,223,129	4,889,766
Disposals / Written-off	-	-	-	-	(5,611,279)	(2,123,068)	(2,301,146)	(10,035,493)
Transfer in / Transfer out	-	269,946	-	-	3,720,012	118,312	(4,108,270)	-
31 December 2009	24,107,461	69,661,827	2,200,000	9,990,224	20,820,548	25,122,740	493,302	152,396,102
<u>Accumulated depreciation</u>								
31 December 2008	205,879	40,423,703	2,004,445	6,100,193	4,750,164	24,995,230	-	78,479,614
Depreciation for the year	-	4,815,814	146,667	1,081,532	4,415,248	710,006	-	11,169,267
Depreciation for disposals written-off	-	-	-	-	(1,643,267)	(1,600,028)	-	(3,243,295)
31 December 2009	205,879	45,239,517	2,151,112	7,181,725	7,522,145	24,105,208	-	86,405,586
<u>Net book value</u>								
31 December 2008	23,901,582	28,968,178	195,555	3,381,597	17,961,651	1,974,063	2,679,589	79,062,215
31 December 2009	23,901,582	24,422,310	48,888	2,808,499	13,298,403	1,017,532	493,302	65,990,516
<u>Depreciation for the year</u>								
2008 (Baht 3 million included in cost of sales and services, and the balance in selling and administrative expenses)								9,451,026
2009 (Baht 1 million included in cost of sales and services, and the balance in selling and administrative expenses)								11,169,267

As at 31 December 2009, the Company has vehicles under finance lease contracts with a total net book value of Baht 2.1 million.

The vehicles with net book values as at 31 December 2009 of Baht 5.7 million (2008: Baht 8.2 million) are vehicles under a sales agreement with Chaiviboon Intertrade Limited Partnership ("a related company"). This related Company has pledged these vehicles to secure the loan it obtained from a financial institution to make downpayment to the Company.

The Company has mortgaged a majority of its land with structures thereon and machinery as collateral for short-term and long-term credit facilities granted by commercial banks.

13. Network equipment

As at 31 December 2008, network equipment amounting to Baht 352 million are the equipment used for the upgrade of the 470MHz Mobile Telephone Network to CDMA2000 1X in accordance with the contract between the consortium of a subsidiary with Huawei Technologies (Thailand) Co. Ltd., and TOT Plc. The subsidiary decided to suspend the upgrade project, after it received a notification dated 22 January 2007 from the National Telecommunications Commission requesting an explanation of the subsidiary's upgrade project under the contract with TOT Plc., since it had not received a license to use communications equipment under the CDMA 2000 1X cellular system. In addition, the upgrade project of the subsidiary had been delayed due to a delay in the receipt of a license to import the equipment of TOT Plc. and a license to upgrade the 470MHz Mobile Telephone Network to CDMA2000 1X, in accordance with the contract. The subsidiary had therefore written to TOT Plc. requesting that it cancel the contract, purchase the equipment in which the subsidiary has invested, and pay compensation. TOT Plc. sent a letter to the subsidiary informing it to continue the upgrade project and notifying it of the change of the completion date for the upgrade project to be used for calculating the delay penalty. In addition, TOT Plc. sent the subsidiary another letter informing it that it had not breached the contract and that the subsidiary is not entitled to request that TOT Plc. cancel the contract and purchase of the equipment in which the subsidiary has invested. The subsidiary rejected the revised completion date of the upgrade contract and requested that TOT Plc. reconsider the cancellation of the contract and the purchase of its equipment, since the upgrade contract might be in breach of the Private Sector Participation Act BE 2535. On 14 May 2007, the subsidiary received a letter from the Ministry of Information and Communications Technology, informing it that the matter of whether the Private Sector Participation Act BE 2535 would be breached had been forwarded to the Royal Decree Committee for a decision. Then, on 18 October 2007 the negotiating committee of TOT Plc. and the subsidiary met to determine how to proceed following receipt of a letter from the Royal Decree Committee, dated 5 October 2007, stating that the 28 July 2005 contract to upgrade the 470MHz network, dated after the effective date of the Private Sector Participation Act BE 2535, had the substance of a private sector participation in government business and counterparties should proceed in accordance with such act, and that TOT Plc., as the project owner, should therefore present the project to the Ministry of Information and Communications Technology and the Ministry of Finance for consideration before submitting it to the Cabinet for approval. The negotiating committee of TOT Plc. informed the subsidiary that TOT Plc. would have to notify the relevant agencies and that it expected the process to take more than one year. The

subsidiary concluded that it therefore did not intend to fulfill the original contract and proposed to the negotiating committee of TOT Plc. that they consider purchasing all of the subsidiary's project equipment. The negotiating committee agreed to purchase the equipment relevant to the investment made by the subsidiary to upgrade the CDMA 470MHz Mobile Telephone Network and sub-network. However, the negotiating committee also informed the subsidiary that the conclusions of the meeting represented the opinions of the negotiating committee and would need to be approved by the Board of Directors of TOT Plc. The Royal Decree committee issued a response with respect to the procedure for the termination of the 470MHz Mobile Telephone Network agreement (under the letter number 663/2551), whereby, if TOT Plc. wishes to exercise its right to terminate the agreement or TOT Plc. and the subsidiary agree to terminate the agreement, such termination is to be performed in accordance with the principles and conditions stipulated in the agreement. It is therefore clear that TOT Plc. and the subsidiary can terminate the agreements. The subsidiary subsequently received a letter from TOT Plc. requesting that the subsidiary propose a revised solution. The subsidiary confirmed the previous proposal whereby TOT Plc. would purchase all of the subsidiary's project equipment. On 21 October 2008, the subsidiary and TOT Plc.'s negotiating committee for the termination of the agreement and the purchase of project equipment agreed and had a conclusion. The negotiating committee will propose this conclusion to the Board of Directors of TOT Plc. for consideration and to seek approval to proceed.

On 8 March 2010, the subsidiary arranged for an independent professional valuer to appraise the value of such equipment, as mentioned in Note 1.3, and adjusted the value of the assets in accordance with the appraised value. Baht 126 million allowance for impairment loss on equipment was recorded as expenses in the 2009 income statement.

14. Intangible assets

(Unit: Thousand Baht)

	Consolidated financial statements		
	Right to operate bus service	Computer software	Total
<u>Cost</u>			
31 December 2008	-	520	520
Acquisitions	14,885	51	14,936
31 December 2009	14,885	571	15,456
<u>Accumulated amortisation</u>			
31 December 2008	-	-	-
Amortisation during the period	600	319	919
31 December 2009	600	319	919
<u>Net book value</u>			
31 December 2008			520
31 December 2009			14,537

15. Non-operating assets

As at 31 December 2009, non-operating assets of Baht 13 million are in the process of being decorated for use in the future.

Non-operating property, plant and machinery were mortgaged as collateral for short-term and long-term credit facilities granted by commercial banks.

Movements in the allowance for impairment loss for the non-operating assets account during the year ended 31 December 2009 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements / Separate financial statements
Balance as at 1 January 2009	8,529
Allowance decrease from disposal during the year	(2,560)
Balance as at 31 December 2009	5,969

16. Other non-current assets

As of 31 December 2008, the Company recorded advance payment of Baht 93 million deposit for payphones under a purchase agreement with a foreign company. The equipment is related to the project to upgrade the 470MHz-system mobile telephone network infrastructure to a CDMA2000 1X system. As discussed in Note 13, the project is the subject of negotiations with TOT Plc., the counterparty. As at 31 December 2009, the Company recorded full allowance for impairment loss on such assets.

17. Bank overdrafts and short-term loans from banks

(Unit: Thousand Baht)			
	Interest rate (percent per annum)	Consolidated financial statements / Separate financial statements	
		2009	2008
Bank overdrafts	MOR	29,648	36,237
Short-term loans from banks			
- Trust receipts	4.5% - 7.9% (2008: 5.1% - 7.5%)	15,792	95,125
Total		45,440	131,362

Bank overdrafts and short-term loans from banks are secured by the mortgage of majority of the Company's land with structures thereon and machinery, non-operating assets and part of its inventories. Short-term loans from banks are guaranteed by certain director of the Company.

18. Trade account payable - unrelated parties and accrued expenses

As at 31 December 2009, a subsidiary had a trade account payable and an accrued expense amounting to Baht 164 million and Baht 37 million (2008: Baht 172 million and Baht 38 million), respectively. These were debts under the agreement to purchase equipment related to the upgrade of the 470MHz Mobile Telephone Network to CDMA2000 1X project. However, the Company had no guarantor for this agreement.

19. Provision

In January 2009, the Company received a summons from the Central Tax Court, with respect to the assessment of additional excise tax of approximately Baht 6 million on past imports of goods. The management had used judgment to assess the results of this litigation and recorded provision of Baht 3 million in the prior year's financial statements. During the year, the Central Tax Court issued a judgment ordering the Company to pay that tax and related surcharge, totaling Baht 6.2 million, and the Company paid the full amount.

20. Other long-term loans

As at 31 December 2009, a subsidiary had long-term loans from an unrelated company. The loans are repayable in monthly installments until 2014 and carry interest at a rate of 0.5 percent per annum.

21. Long-term loans

			(Unit: Thousand Baht)	
Loan	Interest rate (percent)	Repayment schedule	Consolidated financial statements / Separate financial statements	
			2009	2008
1	MLR per annum	Repayable in monthly installment until 2011	55,400	61,000
2	MLR + 1% per annum	Repayable in quarterly installment until 2013	36,329	37,829
3	MLR + 0.5% per annum	Repayable in monthly installment until 2012	22,500	-
4	MLR per annum	Repayable in monthly installment until 2014	16,061	-
Total			130,290	98,829
Less: Current portion			(74,590)	(28,350)
Long-term loans - net of current portion			55,700	70,479

In April 2009, the Company entered into a memorandum to revise a loan agreement with a bank, of the balance as at 31 December 2009 amounting to Baht 36.3 million. Under this memorandum, the end of the loan term is extended from 2010 to 2013, the amounts of the installments are changed, and a grace period is granted for the months of March to December 2009. The Company is to pay interest at a rate of MLR+1% per annum from the agreement date.

In June 2009, the Company entered into a memorandum to revise a loan agreement with another bank, of the balance as at 31 December 2009 amounting to Baht 55.4 million. Under this memorandum, the end of the loan term is extended from 2009 to 2011, the amounts of the installments are changed. The Company is to pay interest at a rate of MLR per annum from the agreement date.

The loan under 1 is secured by guarantees provided by the Company's directors and the pledge of its inventories, as described in Note 8, and the mortgage of its property, plant and non-operating assets as described in Notes 12 and 15, as collateral.

The loans under 2 and 4 are subject to certain covenants and restrictions, relating to matters such as the holdings of key shareholders and the maintenance of certain financial ratios. The loans are secured by guarantees provided by the Company's directors and the mortgage of the Company's property, plant and non-operating assets, as discussed in Notes 12 and 15, as collateral. As at 31 December 2009, the Company was unable to comply with the restriction on the holdings of key shareholders and classified the whole amount of the debts, including the long-term portion, as current liabilities.

The loan under 3 is secured by the mortgage of part of the Company's land and construction thereon.

22. Liabilities under finance lease agreements

		(Unit: Thousand Baht)			
		<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Liabilities under finance lease					
agreements		57,544	6,953	3,558	6,953
Less: deferred interest expenses		(9,120)	(681)	(307)	(681)
Total		48,424	6,272	3,251	6,272
Less: portion due within one year		(11,900)	(2,387)	(2,010)	(2,387)
Liabilities under finance lease					
agreements - net of current portion		36,524	3,885	1,241	3,885

The Company and its subsidiaries have entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in its operation, whereby they are committed to pay rental on a monthly basis. The terms of the agreements are generally between 3 and 5 years. Finance lease agreements are non-cancelable.

As at 31 December 2009, Future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Million Baht)

	Less than 1 year	1-5 years	Total
Future minimum lease payments	16	42	58
Deferred interest expenses	(4)	(5)	(9)
Present value of future minimum lease payments	12	37	49

23. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Salary and wages and other employee benefits	37,847	34,273	32,421	33,588
Wages cost to produce goods	1,307	3,614	1,307	3,614
Depreciation	14,560	9,744	11,169	9,451
Provision	-	3,100	-	3,100
Impairment loss of assets	215,811	-	211,891	-
Advertising and sales promotion expenses	1,421	2,394	1,421	2,394
Loss on exchange	-	7,932	-	586
Rental expenses	714	2,301	373	2,258
Raw materials and consumables used	84,192	221,139	84,192	221,139
Changes in inventories of finished goods and work in progress	72,927	(5,806)	72,738	(5,806)

24. Corporate income tax

Corporate income tax of the Company and its subsidiaries has been calculated at the rate of 25 percent and 30 percent, respectively, on the net loss after adding back disallowable expenses in tax computation purposes, deducting accumulated tax loss brought forward from previous years.

25. Earnings per share

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

26. Financial information by segment

The financial information by business segment, which comprises the manufacture and distribution of NGV cars and gas tank business segment, and the telecommunications service business segment, bus service operator segment, and other segments for the years ended 31 December 2009 and 2008, is as follows: -

Consolidated financial statements												
For the years ended 31 December												
	Manufacture and distribution of NGV car and gas tank segment		Telecommunications service segment		Bus service operator segment		Other segments		Elimination of inter-segment revenues		Consolidated Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Sales and service income												
- External customer	128	246	-	-	12	-	12	-	-	-	152	246
- Inter-segment revenues	63	-	-	-	-	-	-	-	(63)	-	-	-
Total revenues	191	246	-	-	12	-	12	-	(63)	-	152	246
Segment operating loss	(37)	(31)	(121)	(9)	(1)	-	(13)	(1)			(172)	(41)
Unallocated income (expenses):												
Other income											3	1
Gain from sale of assets											2	5
Other expenses											(1)	-
Impairment loss of assets											(90)	-
Provision											-	(3)
Financial expenses											(17)	(27)
Net loss											(275)	(65)
Other segment information												
Segment assets	229	368	238	370	80	-	109	222			656	960
Unallocated assets											7	-
Non-operating assets											100	101
Total assets											762	1,060

(Unit: Million Baht)

The Company and its subsidiaries have applied the pricing policies described in Note 7 to set the transfer prices.

26. Commitment and contingent liabilities

26.1 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of land and building. The terms of the agreements are generally between 1 and 4 years.

As at 31 December 2009, future minimum lease payments required under these non-cancellable operating lease contracts were as follows.

	<u>Million Baht</u>
Payable within:	
1 year	3.4
2 to 4 years	1.4

26.2 Commitment in respect of purchase of finished goods and equipment

As at 31 December 2009 and 2008, the Company and its subsidiary company had commitment in respect of purchase of finished goods and equipment of approximately USD 39 million.

26.3 Guarantees

- a) As at 31 December 2009, there were outstanding bank guarantees of Baht 13 million issued by the banks on behalf of the Company and its subsidiaries company in respect of certain performance bonds as required in the normal course of business.
- b) As at 31 December 2009, the Company has provided guarantee for a letter of guarantee amounting to Baht 10 million issued by bank on behalf of its subsidiary company. The guarantees place obligations on the Company until such time as the subsidiary company completes compliance with conditions under equipment sales agreements.

26.4 Contingent liabilities

On 28 July 2005, a subsidiary and Huawei Technologies (Thailand) Co. Ltd. were selected by TOT Plc. to upgrade the 470MHz Mobile Telephone Network from the old technology (NMT) to a new technology (CDMA2000 1X). Under the contract, the subsidiary was to complete the upgrade of the network within 29 January 2006, with a Baht 100,000 penalty payable daily from this deadline until the completion date if the work was not completed, unless the delay was not due to any fault of the subsidiary.

The subsidiary was unable to import the equipment required for the upgrade project until 16 December 2005, when it received a license to import such equipment from the National Telecommunications Commission. Subsequently, on 4 January 2007, the subsidiary received notification of a penalty of Baht 33.6 million from TOT Plc. since the subsidiary had been unable to complete the upgrade of the network within the deadline and TOT Plc. had not received any documentary evidence from the subsidiary for use in considering granting an extension of the deadline. The subsidiary sent a letter to TOT Plc. dated 25 January 2007 refusing to pay such penalty because the subsidiary had not breached the contract and the delay was not the fault of the subsidiary. Subsequently, on 26 January 2007, the subsidiary sent a letter asking TOT Plc. to consider cancelling the agreement and purchasing the equipment in which the subsidiary had invested. On 15 February 2007, TOT Plc. sent a letter notifying the subsidiary of the submission of the license to install the station and use communications equipment. The subsidiary sent a letter to TOT Plc. dated 22 February 2007 informing it of the details of losses incurred as a result of its investment in network and equipment. TOT Plc. then notified the subsidiary of a change of the completion date for the upgrade project and informing it to continue the upgrade project and perform in accordance with the contract. A Baht 100,000 penalty is payable daily from the changed completion date of 2 May 2007 until the actual completion date. Subsequently, on 30 March 2007 TOT Plc. sent a letter notifying the subsidiary that it was not in breach of contract and that the subsidiary was not entitled to request that TOT Plc. cancel the contract, purchase the equipment and pay compensation, and the subsidiary should comply with the conditions under the contract. The subsidiary subsequently sent a letter on 4 April 2007 rejecting the revised completion date of the upgrade contract and requesting that TOT Plc. reconsider the cancellation of the contract and the purchase of its equipment. In addition, the subsidiary sent a letter dated 23 April 2007 to the Ministry of Information and Communication Technology requesting that it consider whether the contract may conflict with the Private Sector Participation Act BE 2535. On 14 May 2007, the subsidiary received a letter from the

Ministry of Information and Communications Technology, informing it that the matter of whether the Private Sector Participation Act BE 2535 would be breached had been forwarded to the Royal Decree Committee for a decision. Then, on 18 October 2007 the negotiating committee of TOT Plc. and the subsidiary met to determine how to proceed following receipt of a letter from the Royal Decree Committee, dated 5 October 2007, stating that the 28 July 2005 contract to upgrade the 470 MHz network, dated after the effective date of the Private Sector Participation Act BE 2535, had the substance of a private sector participation in government business and counterparties should proceed in accordance with such act, and that TOT Plc., as the project owner, should therefore present the project to the Ministry of Information and Communications Technology and the Ministry of Finance for consideration before submitting it to the Cabinet for approval. The negotiating committee of TOT Plc. informed the subsidiary that TOT Plc. would have to notify the relevant agencies and that it expected the process to take more than one year. The subsidiary concluded that it therefore did not intend to fulfill the original contract and proposed to the negotiating committee of TOT Plc. that they consider purchasing all of the subsidiary's project equipment. The negotiating committee agreed to purchase the equipment relevant to the investment made by the subsidiary to upgrade the CDMA 470 MHz Mobile Telephone Network and sub-network. However, the negotiating committee also informed the subsidiary that the conclusions of the meeting represented the opinions of the negotiating committee and would need to be approved by the Board of Directors of TOT Plc. The Royal Decree committee issued a response with respect to the procedure for the termination of the 470MHz Mobile Telephone Network agreement (under the letter number 663/2551), whereby, if TOT Plc. wishes to exercise its right to terminate the agreement or TOT Plc. and the subsidiary agree to terminate the agreement, such termination is to be performed in accordance with the principles and conditions stipulated in the agreement. It is therefore clear that TOT Plc. and the subsidiary can terminate the agreements. The subsidiary subsequently received a letter from TOT Plc. requesting that the subsidiary propose a revised solution. The subsidiary confirmed the previous proposal whereby TOT Plc. would purchase all of the subsidiary's project equipment. On 21 October 2008, the subsidiary and TOT Plc.'s negotiating committee for the termination of the agreement and the purchase of project equipment agreed and had a conclusion. The negotiating committee will propose this conclusion to the Board of Directors of TOT Plc. for consideration and to seek approval to proceed.

28. Financial instruments

Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 32 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, finance lease receivables, investments, and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable, finance lease receivables, and other receivable. The Company and its subsidiary manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of receivables, finance lease receivable, and other receivables as stated in the balance sheet.

Foreign currency risk

The Company and its subsidiaries are exposed to foreign currency risk arising mainly from trading transactions that are denominated in foreign currencies.

The significant balance of financial assets and liabilities denominated in foreign currencies as at 31 December 2009 is summarised below.

Foreign currency	Financial assets (Million)	Financial liabilities (Million)	Average exchange rate as at 31 December 2009 (Baht per 1 foreign currency unit)
US dollar	-	7	33.5168

Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, bank overdrafts, and short-term and long-term borrowings. However, since most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2009 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

Consolidated financial statements						
Interest rate	Fixed interest rates		Floating interest rate	Non-interest bearing	Total	
	within 1 year	1-5 years				
(% p.a.)						
Financial Assets						
Cash and cash equivalent	0% - 0.5%	-	0.4	0.4	0.8	
Finance lease receivables-net	6.1% - 10.8%	12.0	-	-	34.8	
		12.0	0.4	0.4	35.6	
Financial liabilities						
Bank overdrafts	MOR	-	29.6	-	29.6	
Short-term loans from banks - trust receipts	4.5% - 7.9%	-	15.8	-	15.8	
Long-term loan from related party	18%	1.7	-	-	2.8	
Liabilities under finance lease agreements	5% - 7%	11.9	-	-	48.4	
Long-term loans from bank	MLR, MLR+1% and MLR+0.5%	-	130.3	-	130.3	
Other long-term loans	0.5%	2.1	-	-	10.5	
		15.7	175.7	-	237.4	

(Unit: Million Baht)

Separate financial statements						
Interest rate	Fixed interest rates		Floating interest rate	Non-interest bearing	Total	
	within 1 year	1-5 years				
(% p.a.)						
Financial Assets						
Cash and cash equivalent	0% - 0.5%	-	0.2	0.3	0.5	
Finance lease receivables-net	6.1% - 10.8%	12.0	-	-	34.8	
Short-term loans to subsidiaries	6.125%	15.0	-	-	15.0	
		27.0	0.2	0.3	50.3	
Financial liabilities						
Bank overdrafts	MOR	-	29.6	-	29.6	
Short-term loans from banks - trust receipts	4.5% - 7.9%	-	15.8	-	15.8	
Long-term loan from related party	18%	1.7	-	-	2.8	
Liabilities under finance lease agreements	5% - 7%	2.0	-	-	3.2	
Long-term loans from banks	MLR, MLR+1% and MLR+0.5%	-	130.3	-	130.3	
		3.7	175.7	-	181.7	

Fair value

Since major financial instruments are short-term in nature, and loans from financial institutions of which the interest rate is approximate to the market rate, the fair value of financial instruments are presented as the amount stated in the balance sheet.

Methodology of fair value measurement depends upon characteristics of the financial instruments. For the financial instruments which are regarded as traded in an active market, fair value has been determined by the latest quoted market price. If however the appropriate quoted market price cannot be determined, the fair value is determined using an appropriate valuation technique.

The Company and its subsidiaries establish fair value of their financial instruments by adopting the following methods and assumptions:

- a) For financial assets and liabilities which have short-term maturity, including cash and cash at banks, trade accounts receivable and trade accounts payable, the carrying amounts at the balance sheet date are considered to be a reasonable approximation of their fair value.
- b) For finance lease receivables, fair values are based on carrying value of loans net of unearned finance lease income and allowance for doubtful accounts.
- c) For loan from unrelated party, loan from related party, and long-term loans from banks carrying interest at the rates approximate to the market rate, the carrying amounts in the balance sheet approximate fair value.
- d) Loans from unrelated party, which carry interest at fixed rates and are long-term in nature, have the following fair values.

(Unit: Million Baht)

	Book value	Fair value
Other long-term loans	10.5	9.1

29. 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 2009, the Group's debt-to-equity ratio was 1.8:1 (2008: 0.9:1) and the Company's was 0.8:1 (2008: 0.5:1).

30. Reclassification

The Company reclassified share receivable in the financial statements for the year ended 31 December 2008, from presenting it as current assets to presenting it as a deduction from the minority shareholding of the subsidiary under shareholders' equity, in order to conform to the current year's reclassification. This reclassification resulted in a decrease of Baht 46.5 million in the equity attributable to the minority shareholders.

31. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 25 March 2010.