

## Translations

**Information Memorandum on Disposition of Assets  
and Connected Transaction**  
**Subject: the Disposition of Investment in a Subsidiary Company to  
Connected Person**  
**Thai Factory Development Public Company Limited**

Referring to the resolution from the Board of Directors of Thai Factory Development Public Company Limited (“the Company”) from the Board of Directors meeting number 3/2552 held on 17<sup>th</sup> March 2009 which was passed to approve the Company to enter into a transaction to sell 69,999,993 existing ordinary shares of Princeton Park Suites Co., Ltd. (“Princeton”) (equivalent to 100 per cent of registered and paid-up capital of Princeton), the Company’s subsidiary, to Vibhavadi Medical Center Public Company Limited,

the Company would like to disclose information memorandum on the disposition of investment disclosing at least the information specified in Schedule 2 items 1, 2, 3, 5(3), 7 and 8 annexed to the notification of the Board of Governors of the Stock Exchange of Thailand regarding Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets, 2004. (“**SET Notification on Acquisition and Disposition of Assets**”) and Clause 20 of notification of the Board of Governors of the Stock Exchange of Thailand regarding Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, 2003 (“**SET Notification on Connected Transaction**”). The transaction details are as follows:

**1. Information memorandum disclosing information specified in Schedule 1 annexed to SET Notification on Acquisition and Disposition of Assets and Clause 16 of SET Notification on Connected Transaction**

**1.1 Date of transaction**

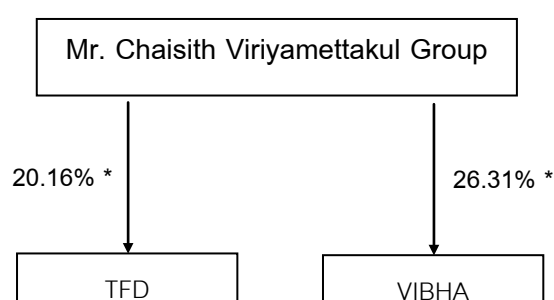
Following the shareholders’ approval of the transaction at the shareholders meeting to be held on 29<sup>th</sup> April 2009.

### **1.2 Parties in the transaction**

Thai Factory Development Public Company Limited is “the proposed seller”.

Vibhavadi Medical Center Public Company Limited is “the proposed buyer”.

Relationship between the parties: having major shareholder and director in common.



### **1.3 General information of the transaction**

The Company will sell 69,999,993 existing ordinary shares of Princeton, at par value of Baht 5 each, to Vibhavadi Medical Center Public Company Limited. The preliminary selling price is Baht 273,832,302, divided into the amount Baht 138,900,000 that the Company will receive in cash and the remaining liabilities that TFD owes to PPS of Baht 134,932,302 that VIBHA will assume.

Princeton share disposition has the transaction size of 27.32 per cent of the Company and its subsidiaries' net tangible assets. Such share disposition transaction falls under the category of Class 2 transaction according to the notification of the Board of Governors of the Stock Exchange of Thailand regarding Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets, 2004. The transaction size calculation, using the basis of value of assets disposed of compared with the value of assets of the listed company and its subsidiaries, is shown below:

$$\frac{\text{Net tangible assets of the disposed company (Princeton's)}}{100\% \times 100} \times \frac{240,227,602}{100\% \times 100} = 27.32\%$$

The Company's net tangible assets (according to the consolidated financial statement as at 31 December 2008, audited) 879,270,727

The share disposition is also a connected transaction according to the notification of the Board of Governors of the Stock Exchange of Thailand regarding Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, 2003 since Mr. Chaisith Viriyamettakul, director and shareholder of the Company (holding 5.68 per cent of paid-up capital of the Company according to the Company's shareholders register book as at 13<sup>th</sup> March 2009) is also a director, a managing director and a major shareholder of Vibhavadi Medical Center Public Company Limited. The transaction size is computed as shown in the following details:

$$\frac{\text{Total value of consideration} \times 100}{\text{The Company's net tangible assets (according to the consolidated financial statement as at 31 December 2008, audited)}} = \frac{273,832,302 \times 100}{879,270,727} = 31.14\%$$

The Company is required to obtain approval from its shareholders prior to executing the transaction.

#### **1.4 Details of assets disposed of**

69,999,993 ordinary shares of Princeton, the equivalence of 100 per cent of Princeton's registered and paid-up capital.

Princeton is the Company's subsidiary operating a serviced apartment (room rent and restaurant operations). Princeton has sub-leased the building "Princeton Park Suites Project" from the Company. The building is owned by the National Housing Authority. The Company has leased the building from the National Housing Authority and the lease will end after 31<sup>st</sup> March 2032. Princeton Park Suites Project is situated on a 14-storey building, at 3 Mitmaitri Road, Dindaeng District, Bangkok on a 2.65-rai land plot. The ground level area of approximately 1,524 squared meters consists of main lobby and shops. Levels 2 to 5 comprise car parks, banquet rooms and swimming pool, with total area of approximately 10,421 squared meters. Levels 6 to 14 contain 270 rooms with combined area of approximately 13,608 squared meters.

As conditions precedent to this transaction, the Company shall submit a hotel operation license to the proposed buyer and assist Princeton in directly entering into a lease agreement on the building with National Housing Authority successfully. These shall be completed within 30<sup>th</sup> June 2009 and are being carried out by the proposed seller.

General information on Princeton:

Name of the company	: Princeton Park Suites Co., Ltd.			
Registration number	: 0105545081681			
Registration date	: 8 <sup>th</sup> August 2002			
Registered capital	: Baht 350,000,000 Divided into 70,000,000 ordinary shares At par value of 5 Baht each			
Paid-up capital	: Baht 350,000,000			
Members of the Board of Directors	: as at 24 February 2009 (1) Mr Tavatchai Jiaravudhi (2) Mr Gumpol Tiyarat (3) Mr Anukul Ubonnuch			
Financial summary of Princeton Park Suites Co., Ltd. as at 31 December				
<b>Financial statement</b> (Unit : thousand Baht)	2008	2007	2006	2005
Current assets	210,204	21,949	14,199	10,272
Non-current assets	114,914	251,291	130,528	134,217
Total assets	325,118	273,240	144,727	144,489
Current liabilities	84,875	11,300	10,872	9,837
Non-current liabilities	15	259	172	451
Total liabilities	84,890	11,559	11,044	10,288
Registered and paid-up capital	350,000	350,000	225,000	225,000
Retained earnings	(109,772)	(88,319)	(91,317)	(90,799)
Total shareholders' equity	240,228	261,681	133,683	134,201
Total liabilities and shareholders' equity	325,118	273,240	144,727	144,489
Total revenue	292,050	99,557	83,243	65,238
Total expense	313,503	96,560	83,760	82,097
Net profit (loss)	(21,453)	2,997	(517)	(16,859)
Net profit (loss) per share	(0.31)	0.06	(0.01)	(0.37)

**1.5 Total value of consideration and payment terms**

The preliminary selling price will be calculated from the amount of Baht 138,900,000 that the proposed buyer will pay Plus the liabilities that TFD owes to PPS of Baht 134,932,302 that VIBHA will assume. The total value of consideration equals Baht 273,832,302.

**Payment terms**

VIBHA will make payment settlement for the total price of Baht 273,832,302.\* The payment is to be made in the following installments:

1. The payment of the amount Baht 138,900,000 is divided into
  - 1.1 Payment on the Memorandum of Understanding date, (29<sup>th</sup> December 2008) of Baht 26,000,000.
  - 1.2 Payment of Baht 57,000,000 within 3 days following the annual shareholders general meeting of TFD and VIBHA approving the share purchase.
  - 1.3 Payment by a promissory note issued by VIBHA to TFD of Baht 55,900,000 maturing on 30 June 2009, having TFD as a recipient. VIBHA shall submit the promissory note to TFD on the same day the proposed buyer makes payment according to 1.2.
2. The amount of Baht 134,932,302, VIBHA will assume the liabilities that TFD owes to PPS as at 30<sup>th</sup> June 2009.

Note: \* Both the parties to the transaction agree to adjust price to be the final selling price by using the financial statement as at 30<sup>th</sup> June 2009 which is audited and/or approved by both of the parties' management. The adjustment shall be carried out within 31<sup>st</sup> July 2009.

***1.6 Value of assets to be disposed of***

69,999,993 Princeton's ordinary shares having a par value of Baht 5 each. The value of net investment held per the Company's audited financial statement as at 31 December 2008 is Baht 261,680,664 (approximately Baht 3.74 per share).

***1.7 Basis used to determine the value of consideration***

The price is settled by negotiation between the Company and Vibhavadi Medical Center Public Company Limited, "the proposed buyer". The preliminary selling price is calculated from the amount Baht 138,900,000 that the proposed buyer will pay Plus the liabilities owed by TFD to PPS that VIBHA will assume of Baht 134,932,302. The total value of consideration equals Baht 273,832,302.

***1.8 Expected benefits from the assets sales***

By selling Princeton's shares to Vibhavadi Medical Center Public Company Limited, the Company will receive cash proceeds from the transaction to be used as working capital and as an investment fund to invest in the business sector that the Company possesses expertise and the Company's core businesses, developing industrial estate and condominium. The Company shall obtain higher return from these investments compared with the operating Princeton Park Suites Project. It is estimated the Company would generate Baht 4.63 million in profit from this disposition of investment.

***1.9 Proposed utilization of the proceeds from the sale***

The Company will use fund received from the share disposition as working capital and as an investment fund to invest in the business sector that the Company possesses expertise and the Company's core business which will provide higher return on investment.

#### **1.10 Details on connected person**

Mr Chaisith Viriyamettakul, the Company's director and major shareholder (holding 5.68 per cent of the Company's paid-up capital according to the Company's shareholders register book as at 13<sup>th</sup> March 2009). Mr. Chaisith is also a director, a managing director and a major shareholder of Vibhavadi Medical Center Public Company Limited.

Connected persons who will not have voting right at the shareholders meeting for approval of the share disposition transaction are:

Name	Shareholding in the Company (as at 13 <sup>th</sup> March 2009)	
	Number of shares held	Percentage of paid-up shares
Mr Pisut Viriyamettakul	57,000,000	8.94
Mr Chaisith Viriyamettakul	36,200,000	5.68
Mr Pijit Viriyamettakul	20,000,000	3.14
Mr Pipat Viriyamettakul	6,600,000	1.04
Mr Pichit Viriyamettakul	5,600,000	0.88
Miss Niramol Viriyamettakul	3,050,000	0.48
Mrs Sukanya Viriyamettakul	100,000	0.22
Total	128,550,000	20.16

#### **1.11 Voting abstinence of the Company's director with interest**

Mr Chaisith Viriyamettakul, the Company's director, and major shareholder (holding 5.68 per cent of the Company's paid-up capital according to the Company's shareholders register book as at 13<sup>th</sup> March 2009) is a connected person since he is also a director, a managing director and a major shareholder of Vibhavadi Medical Center Public Company Limited. Mr Chaisith is also a person with interest in the transaction.

During the Board of Directors meeting to consider the connected transaction, Mr Chaisith left the meeting venue and abstained from voting.

#### **1.12 Characteristics of interest of connected person in the transaction**

Mr Chaisith Viriyamettakul is a connected person since Mr Chaisith is the Company's director and shareholder (holding 5.68 per cent of the Company's paid-up capital according to the Company's shareholders register book as at 13<sup>th</sup> March 2009). He is also a director, a managing

director and a major shareholder of Vibhavadi Medical Center Public Company Limited.

**1.13 Opinions of the Board of Directors**

In considering for the approval of the transaction to sell share in Princeton to Vibhavadi Medical Center Public Company Limited, the Board of Directors (excluding Mr Chaisith Viriyamettakul, the director with interest in this transaction) take into account the reasonableness of the transaction terms and the shareholders' best interest. The Board of Directors is of the view that the disposition of shares of Princeton Park Suites Co., Ltd., owner of Princeton Park Suites Project's assets (only leasehold improvement and equipment) will provide additional liquidity to the Company. From Princeton's past operation, Princeton mainly incurred operating loss. Should the Company sell its share in Princeton and use the cash proceeds as the Company's working capital and as fund to invest in developing industrial estate or residential condominium projects, which are the Company's core business, the investment shall give higher yield/return in the future which shall contribute to better operating results and shall benefit the shareholders in the future. Hence, the Board of Directors agrees to approve the Company to sell ordinary shares of Princeton to Vibhavadi Medical Center Public Company Limited. The transaction shall be subsequently proposed to the shareholders meeting for the shareholders to consider for approval.

**1.14 Opinions of the Company's Audit Committee and/or directors which are different from opinions of the Board of Directors under 13**

- None -

**1.15 Conditions in entering into the transaction**

The share disposition may be classified as a Class 2 transaction according to the notification of the Board of Governors of the Stock Exchange of Thailand regarding Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets, 2004. The Company shall prepare a report disclosing the minimum information specified in Schedule 1 immediately to the Stock Exchange of Thailand. The Company shall also serve a written notice of its decision to enter into a Class 2 transaction to its shareholders disclosing at least the information specified in Schedule 2 items 1, 2, 3, 5(3), 7 and 8. The transaction is also a connected transaction according to the notification of the Board of Governors of the Stock Exchange of Thailand regarding Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, 2003. The transaction size equals 31.14 per cent of the Company and its subsidiaries' net tangible



assets (exceeds 3 percent of the Company and its subsidiaries' net tangible assets). As a result, the Company is required to disclose the information memorandum of transaction to the Stock Exchange of Thailand on the date the Company's Board of Directors approved of the transaction. The Company must also present the transaction to the shareholders meeting to request for approval from the shareholders meeting. The Company shall:

- 1.15.1 send a written notice of the appointment of the shareholders meeting at least 14 days prior to the meeting date. The Company shall also submit together with the written notice an opinion from an independent financial advisor in relation to reasonableness and benefit of the transaction, fairness of the selling price and transaction terms as well as reasons whether the shareholders should or should not approve of the connected transaction.
- 1.15.2 send a written notice of the shareholder meeting appointment to the Stock Exchange of Thailand at least 5 working days prior to sending the meeting appointment to the shareholders
- 1.15.3 receive approval votes of at least three-fourths of the total votes of shareholders eligible for voting, excluding shareholders with interest, from the shareholder meeting to approve the connected transaction.

#### **1.16 Other conditions**

Princeton share sale - purchase transaction between the Company and Vibhavadi Medical Center Public Company Limited has the following conditions precedent:

- 1.16.1 The proposed seller must obtain approval of the share disposition transaction from the proposed seller's Board of Directors and from the proposed seller's shareholders meeting by 30<sup>th</sup> April 2009.
- 1.16.2 The proposed buyer must obtain approve of the share acquisition transaction from the proposed buyer's Board of Directors and from the proposed buyer's shareholders meeting by 30<sup>th</sup> April 2009.
- 1.16.3 The proposed seller has completed the transfer of Princeton's Khoa Tao condominium assets portion from Princeton. The assets portion was a residential condominium project developed for sales at Khao Tao, Pranburi, Prajuabkirikhan.
- 1.16.4 The proposed buyer and the proposed seller will appoint independent financial advisor on own side to provide opinion to their shareholders as part of the process to obtain approval from the shareholders meeting.

If any of the counterparties fails to satisfy the conditions precedent, the proposed seller shall return the payment received to the proposed buyer with interest at the interest rate equaling to the proposed buyer's cost of fund within 3 days from the date that it becomes known that the conditions precedent cannot be satisfied. The counterparties would not make any further claims against each other.

Other conditions besides the conditions precedent:

1. In delivering Princeton to the proposed buyer, the proposed seller shall submit Princeton together with hotel operation license and shall assist Princeton to directly lease the building from the National Housing Authority, replacing the proposed seller within 30 June 2009". The proposed seller has an application for a hotel operation license to the registrar already. The application result is pending.

2. In addition, if there are any claims or commitments such as PPS' tax liabilities related to the period prior to the share transfer date, the proposed seller will be responsible for such PPS' liabilities, and on a contrary, if PPS is entitled to a tax refund in relation to the operation prior to the share transfer date the proposed buyer will pay to the proposed seller the amount of such refund received by PPS.

## **2. Information memorandum disclosing information specified in Schedule 2 annexed to SET Notification on Acquisition and Disposition of Assets and Clause 20 of SET Notification on Connected Transaction**

### **2.1 Appraised value from an independent appraiser**

The Company engaged Thai Property Appraisal Lynn Phillips Co., Ltd. to perform a valuation of land with building, leasehold and management agreement of Princeton Park Suites Project. Thai Property Appraisal Lynn Phillips Co., Ltd. surveyed the site on 12<sup>th</sup> January 2009 and issued an appraisal report dated 22<sup>nd</sup> January 2009. The appraised market value of Princeton Park Suites Project using income approach is Baht 138,000,000.

### **2.2 Nature of Business**

#### **Background**

- The Company was registered on 11 November 1977 with the purpose to construct standard pre-built industrial plants for sale or rent in various industrial estates.

- In 1991, TFD was listed in the Stock Exchange of Thailand. The Company registered to convert itself into a public company on 4 February 1994.
- In 2003, the Company expanded its factory development project via its subsidiary to develop Industrial Estate Authority of Thailand's properties and also started developing city business district (CBD) residential property.
- In 2007, the Company sold most lands and factories to the Thai Industrial Fund 1 (TIF 1) and joined with the Industrial Estate Authority of Thailand to set up its own TFD industrial estate at Tha Sa-an Sub-District, Bangpakong District, Chachaengsao Province. The estate comprises 303 rai, the Company plans to expand the estate to no less than 500 rai. Furthermore, the Company also diversifies its operation into warehouse and condominium businesses in Bangkok and Bangkok peripheral area and other provinces.
- In 2008, the Company continues investing and developing projects initiated from last year. The Company bought, an approximate of, 50 per cent share of an office building rental business during the year. The acquired company is now one of the Company's subsidiaries.

### **Overview of the Business**

Shareholding ratio in its subsidiaries is as follows:

Company name	Business sector	Registered Capital	Shareholding Ratio
1. Princeton Park Suites Co., Ltd.	Hotel, serviced apartment and condominium	Baht 350 million	100%
2. Total Industrial Services Co., Ltd.	Pre-built factory, joint venture with IEAT	Baht 100 million	51%
3. SG Land Co., Ltd.	Office space rental	Baht 100.45 million	49.89%

Note 1 Total Industrial Services Co., Ltd. (TISCOM) had initial registered capital of Baht 50 million. Consequently, TISCOM increased its registered capital to Baht 100 million. Besides, JC Asset Co., Ltd. and Koorid Chansichawala are the other major shareholders, holding 24.5 percent share each.

During the year 2008, the Company continued to conduct its main businesses, constructing factories for sale and rent, selling condominiums and renting of serviced apartment. The Company acquired a 50 per cent share in a company in office space rental business to diversify its revenue base.

### **Nature of products**

At present, the Company's products can be divided into four groups as follows:

- sales or rent of vacant lands or lands with pre-built factories
- rent of serviced apartments
- sales of condominiums
- rent of office space

### **Sales or rent of vacant lands or lands with pre-built factories**

With regard to its factory products, the Company hires architects to design factories based on design standards where modern materials are used and construction is supervised by its engineers. The Company also uses a bidding process to allow various contractors to submit bids and select those with experiences and prices considered appropriate to the costs it estimated. At present, the Company owns lands and pre- built factories in five industrial estates situated in four provinces as follows:

1. Chonburi (Bowin) Industrial Estate in Chonburi Province
2. Nava Nakorn Industrial Promotion Zone in Pathum Thani Province

3. Laem Chabang Industrial Estate in Chonburi Province
4. Kingkaew Warehouse Project in Samut Prakan Province
5. TFD Industrial Estate Project in Chachoengsao Province

Most factories offered are single factories having a standard useable area of 2,000 squared meters or less. The factories are located on a land plot of around 1 to 3 rai and are targeted at small and medium industrial operators.

Laem Chabang Industrial Estate and Kingkaew Warehouse projects are managed by Total Industrial Services Co Ltd (TISCOM). The Company holds 51 per cent stake in the projects. Laem Chabang Industrial Estate Project is located on a 40-rai land plot in an export processing zone and consists of 23 factories built for rent. The construction was completed and the project has already generated incomes since 2004. Kingkaew Warehouse Project is located in Kingkaew – Ladkrabang area. The project comprises 17 warehouses for rent. The construction has been completed in 2007. The project is targeted at small- sized entrepreneurs requiring locations near Suvarnaphumi Airport. The project has generated revenue from 2007 onwards.

During the year 2007, the Company established TFD Industrial Estate in Muang District, Chachaengsao Province, on a 303-rai piece of land. The Company plans to expand the project area to 500 rai. The industrial estate is divided into general processing zone and free zone. Construction of the project infrastructure and utilities works has been completed. At present, the project is complete with finished factories, a sales office, landscaped common area, a project entrance and a billboard sign in front of the project. The project construction is expected to be completed in quarter 3 of 2008.

### **Rent of serviced apartment**

#### **Princeton Park Suites Project**

The project is located on a 14-floor building on a 2.65-rai land plot. The building is owned by the National Housing Authority (NHA) on Mitrmaitree Road, Kwaeng Dindaeng, Khet Dindaeng. The Company has executed a lease and management agreement of the building with the NHA for 30 years. At present, the Company has already transformed the building to a 270-room serviced apartment project and it is currently managed by Princeton Park Suites Co Ltd, a 100-per cent subsidiary owned by the Company.

#### **Soi Mahadlekluang 2, Rajadamri Road Project**

The Company owns a leasehold right to a land plot in Soi Mahadlekluang 2, Rajadamri Road, owned by the Privy Purse Bureau. The plot size is 728

squared wah. The Company plans to construct 54-storey office and residential buildings. The total construction area is approximately 48,000 squared meter. The project will be managed by SG Land Co., Ltd., the subsidiary that the Company acquired in 2008. The Company acquired SG Land to add value to the project since the land plot, where buildings owned by SG Land Co., Ltd are located, is situated right next to the project land plot. As a result, the project land plot will be expanded in size and the project value will increase. At present, the Company's request for permission from the land owner to run the project is under process.

## **Sales of condominiums**

### **The 59 Heritage Project**

The Company bought an apartment from the original project owner in 2003. The project in Soi Sukhumvit 59 consists of one 12-floor building and one 4-floor building located on a 2.31 rai piece of land. The Company has developed a residential building for sales to retail customers where all 12 floors are renovated while a new 27-storey building is also built, totaling two buildings in the project or 228 units of condominium (55 units in the first and 173 units in the second, respectively). The total saleable areas are 15,614.58 square meters. The Company has started renovating and selling the project since late 2006. At present, the 27-storey building is being built and it should complete and ready for ownership transfer by 2009 year end.

### **The Heritage Huahin Project**

The Company bought Hua Hin Heritage Project, a 9-0-42.3 rai – land plot located at Khao Tao, Pak Nam Pran Sub-Distrit, Pranburi District, Prachuab Khiri Khan Province, from Princeton Park Suites Co., Ltd., the Company's subsidiary, in December 2008. The project is a residential condominium project developed for sales to individual customers. The project contains two phases as follows:

Phase I Phase I is located on land area of 8-0-23.4 rai. The project's Environmental Impact Assessment (EIA) reports have been assessed and the environmental impact prevention and remedial actions have been recommended by the Office of Natural Resources and Environmental Policy and Planning. The Company has already received a construction and building alteration permit.

Phase I contains two 28-storey residential buildings, Tower A and Tower B, a car park building, Tower C and a club house building, Tower D. The total construction area is 51,807 squared meters and the total saleable area is 35,836.8 squared meters. The car park building, Tower C, is an 8- story

building with total construction area of 6,121 squared meters. The club house building (Tower D) has total construction area of 1,995 squared meters. As at the report date, the construction of a club house and a sales office has been completed.

Phase II Phase II is a residential building project located on 1-0-18.9 rai land area. There will be six – 3-story townhouse units. A construction permit of this phase has been obtained.

### **Rent of Office Space**

### **SG Land Project**

The Company has bought SG Land Co., Ltd.'s ordinary shares in April 2008. After the transaction the Company holds 49.89 per cent share in SG Land Co., Ltd.

SG Land Co., Ltd. is a real estate operator, it owns and rents out office buildings. Presently, SG Land Co., Ltd. owns SG Tower I building, 19 floors plus 2 underground floors of office space and car park; and the Millennia Tower (SG Tower II) buildings, 26 floors plus 1 underground floor of office space and car park. The combined space of SG Tower I is 30,752 squared meters. The combined space of the Millennia Tower is 29,700 squared meters. The net rentable area is 14,749 squared meters and 12,473 squared meters, respectively.

### **Structure of income**

Structure of the Company's revenue during the past three years by core business type:

Type of business	2008		2007		2006	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Revenue of normal business operation</b>						
<b>Thai Factory Development Plc</b>						
1. Factory and residential development projects in industrial estates						
- Income from sale	-	-	391.0	69.5	89.0	21.6
- Income from rent and service fee	8.3	1.6				
- Profit from selling TIF1 Fund's investment units (TIF)	-	-	-	-	54.2	13.2
2. Condominium business	255.2	48.4	-	-	17.9	4.3
3. Other income	10.8	2.0	7.9	1.4	10.7	2.6
<b>Total Industrial Services Co., Ltd.</b>						
4. Income from rent and service fee	42.4	8.0	66.6	11.8	73.9	18.0
<b>SG Land Co., Ltd.</b>						
5. Rent of office space business						
- Income from rent and service fee	118.6	22.5	-	-	43.4	10.5
- Profit from termination of leasehold right	-	-	-	-	39.4	9.6
<b>Princeton Park Suites</b>						
6. Hotel/serviced apartment business	92.0	17.4	97.4	17.3	83.2	20.2
Total revenue from normal operation	527.3	100.0	562.9	100.0	411.7	100.0

### **Objectives of the Business**

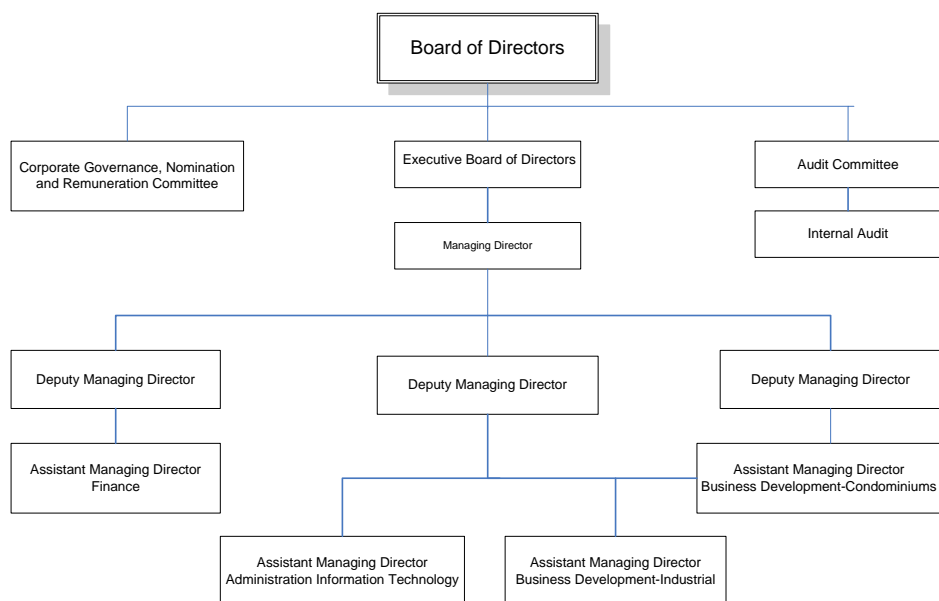
The Company's business objective is to become a leader in the sales and rent of standard industrial plants and in development and sales of residential condominium, which are both the major sources of the Company's revenue. In so doing, the Company pursues a proactive investment policy focusing at fast and high-return investment projects.



## 2.3 Management and the top 10 major shareholders

### Management structure

Organization chart and divisions within the organization as at 31<sup>st</sup> December 2008 can be depicted as followed:



Remark : The Company's internal auditor has assigned to the Non-Juristic Body of Person, responsible an all function of work and the other related to the assignment from the Managing Director and Audit Committee.

### Board of Directors

At 31<sup>st</sup> December 2008, the Board comprises:

1 Dr. Sunthorn Sathirathai	Chairman and Independent Director
2 Mr. Prasong Vara-ratanakul	Independent Director, Audit Committee Chairman Corporate Governance, Nomination and Remuneration Committee Chairman
3 Mr. Nan Kitjalaksana	Independent Director, Audit Committee Member Corporate Governance, Nomination and Remuneration Committee Member
4 Mr. Sommart Sangkhasap	Independent Director, Audit Committee Member Corporate Governance, Nomination and Remuneration Committee Member
5 Mr. Apichai Taechaubol*	Director, Executive Chairman and Managing Director
6 Mr. Gumpol Tiyarat **	Director, Executive Director
7 Mr. Tavatchai Jiaravudthi	Director, Executive Director
8 Mr. Anukul Ubonnuch	Director, Executive Director
9 Mr. Chaisith Viriyamettakul	Director

Authorization on behalf of the Company requires two of the directors as signatories and the affixing of the Company's seal.

### **Management**

#### **Executive directors**

1 Mr. Apichai Taechaubol	Executive Chairman and Managing Director
2 Mr. Tavatchai Jiaravudthi	Executive Director and Deputy Managing Director
3 Mr. Gumpol Tiyyarat	Executive Director and Deputy Managing Director
4 Mr. Anukul Ubonnuch	Executive Director and Deputy Managing Director

#### **Management**

1 Mr. Apichai Taechaubol	Executive Chairman and Managing Director
2 Mr. Thavatchai Jiaravudthi	Executive Director and Deputy Managing Director Business Development Department
3 Mr. Gumpol Tiyyarat	Executive Director and Deputy Managing Director – Finance
4 Mr. Anukul Ubonnuch	Executive Director and Deputy Managing Director Administration Information Technology Department
5 Mr. Suchat Pornpacharapong	Assistant Managing Director Finance Department
6 Mrs. Vilai Sae Ngow	Assistant Managing Director Business Development Department – Factory
7 Mrs. Supanee Soda	Assistant Managing Director Business Development Department – Condominium
8 Mrs. Siriporn Pinprayong	Assistant Managing Director Administration Information Technology Department Corporate secretary Secretary to Executive Directors Secretary to Audit Committee Secretary to Corporate Governance, Nomination and Remuneration Committee

- Note
- \* Mr. Apichai Taechaubol had resigned from the position of Director, Executive Chairman and Managing Director in the Board of Director's meeting No. 1/2552 on 16<sup>th</sup> February, 2009.
  - \* Mr. Apichai Taechaubol has been appointed as an advisor to the Board of Directors in the Board of Director's meeting No. 1/2552 on 16<sup>th</sup> February, 2009.
  - \*\* Mr. Gumpol Tiyyarat has been appointed as the Executive Chairman and Acting Managing Director in the Board of Director's meeting No. 1/2552 on 16<sup>th</sup> February, 2009.

### **Shareholders**

The top ten major shareholders, number of shares held and percentage of paid-up shares as at the book closing date 13<sup>th</sup> March 2009 are as follows:

Order	Name	Number of shares held	Percentage of paid-up shares
1	JC Asset Co., Ltd.	157,851,065	24.76
2	VCAL Business Group Co., Ltd.	91,798,760	14.40
3	Mr Pisut Viriyamettakul	57,000,000	8.94
4	VSSL Enterprise Co., Ltd.	52,746,070	8.27
5	Mr Chaisith Viriyamettakul	36,200,000	5.68
6	Mr Pijit Viriyamettakul	20,000,000	3.14
7	Mr Chatwiwat Klamkomon	17,000,000	2.67
8	Mr Wattana Sawadthong	14,053,000	2.20
9	Mr Apichai Taechaubol	8,676,590	1.36
10	Thai Fa Holding Co., Ltd.	7,580,000	1.19
	Total	462,905,485	72.61

Major shareholders of JC Asset Co., Ltd. are Mr. Apichai Taechaubol's sons and daughter.

VCAL Business Group Co., Ltd.'s and VSSL Enterprise Co; Ltd.'s shareholders are in Mr. Apichai Taechaubol's group.

### **2.4 Connected transactions**

Connected transaction means business transaction the Company and its subsidiaries enter into with the counterparty being a person or a company which is related by ways of shareholding, having shareholders and/or directors with controlling interest in common, being controlled by the Company either directly or indirectly, being under the same control with the Company. In addition, connected person or connected company also includes a joint venture company and person who have material influence to the Company, management, director or employee who is authorized to perform planning and controlling of the Company's operation.

In 2008 the Company and its subsidiaries entered into some connected transactions with related person or related company. Connected transactions in 2008 were transactions in relation to revenue from sales of land, loan, revenue from rent and service, deposit received from project sales. Such transactions have been concluded on the terms and agreement determined jointly by the parties to the transactions under normal course of business. The connected transactions during the year 2008 are listed below:

(unit: thousand of Baht)

Outstanding  
as at 31<sup>st</sup> December  
2008

1. Transactions between the Company and its subsidiaries

1.1 Princeton Park Suites Co., Ltd.

Trade accounts receivable	5,131
Loan to related party and interest receivable (3 per cent pa)	60,757
Trade accounts payable 200,470	
Rental deposit	6,160

1.2 Total Industrial Services Co., Ltd.

Loan to related party and interest receivable (8.25 per cent pa)	110,503
---------------------------------------------------------------------	---------

1.3 SG Land Co., Ltd.

Loan to related party and interest receivable (15.00 per cent pa)	197,992
Deposit from sale of project	124,500

2. Transactions between subsidiary and related company

2.1 SG Land Co., Ltd. borrowed from

Schubert Holding Pte.,Ltd. (15.00 per cent pa)	323,598
------------------------------------------------	---------

2.2 Schubert Holding Pte.,Ltd. received advance from

SG Land Co., Ltd	4,500
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3. Transaction between the Company and related company

3.1 Deposit received from disposition of investment in Princeton

Park Suites Co., Ltd. to related company, having a director and a shareholder in common.	26,000
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The details of this transaction with related company have been disclosed under Note 23 to the audited financial statement for the year 2008.

**2.5 Financial status and operating results**

**Summary of the auditors reports of the Company and its subsidiaries  
for the year 2008**

The Company and its subsidiaries' auditor, Mrs. Vilairat Rojnuckarin, C.P.A. No. 3104, of Office of D I A International Auditing, reported that she has examined the financial statements in accordance with generally accepted auditing standards expressed her opinion that the financial status, operating results, change in stockholders' equity and cash flow are fairly presented in accordance with generally accepted accounting principles.

**Summary of consolidated financial status and operating results**

The operating results and the financial status of the Company and its subsidiaries in the past three years could be summarized as follows:

# 1. Statements of income

	2008	2007	2006
<b>REVENUES FROM SALES AND SERVICES</b>			
Sale income - factory building	-	391,000,000	89,000,000
Sale income - condominium	255,236,899	-	15,559,433
Rental income and related service income	171,101,809	66,563,775	123,101,950
Revenues from room rental business	89,761,628	97,356,329	81,211,326
<b>TOTAL REVENUES FROM SALES AND SERVICES</b>	<b>516,100,336</b>	<b>554,920,104</b>	<b>308,872,709</b>
<b>COST OF SALES AND SERVICES</b>			
Cost of sale - factory	-	(225,828,778)	(52,041,728)
Cost of sale - condominium	(147,357,937)	-	(11,618,222)
Cost of rental and services	(104,826,652)	(26,989,487)	(67,554,145)
Cost of sales and services - room rental business	(79,665,416)	(77,108,861)	(68,828,457)
<b>TOTAL COST OF SALES AND SERVICES</b>	<b>(331,850,005)</b>	<b>(329,927,126)</b>	<b>(200,042,552)</b>
<b>Gross profit</b>	<b>184,250,331</b>	<b>224,992,978</b>	<b>108,830,157</b>
<b>OTHER INCOME</b>			
Gain on sale of investments in securities held for trading	-	86,897	1,187,342
Unrealised gain on investments in securities held for trading	-	59,159	1,608,749
Goodwill income	69,819,917	-	-
Share of profit from investment in associated company	-	-	961,842
Gain from disposal of investment in associated company	-	-	53,278,209
Profit of termination of leasehold right	-	-	39,402,235
Interest income	941,713	564,579	95,917
Other	10,222,811	7,277,883	6,283,841
<b>TOTAL OTHER INCOME</b>	<b>80,984,441</b>	<b>7,988,518</b>	<b>102,818,135</b>
Selling expenses	(19,574,141)	(10,247,601)	(7,455,798)
Administrative expenses	(144,755,398)	(144,553,017)	(116,857,053)
Loss on sale of investments in securities held for trading	(396,904)	-	-
Financial expenses - interest expenses	(54,190,286)	(12,009,289)	(20,028,301)
<b>TOTAL EXPENSE</b>	<b>(218,916,729)</b>	<b>(166,809,907)</b>	<b>(144,341,152)</b>
Profit (Loss) before income tax	46,318,043	66,171,589	67,307,140
Income tax	(7,581,745)	(25,098,460)	(5,090,255)
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>38,736,298</b>	<b>41,073,129</b>	<b>62,216,885</b>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO :</b>			
Equity holders of the parent	55,243,301	45,185,088	65,498,519
Minority interests of the subsidiaries	(16,507,003)	(4,111,959)	(3,281,634)
	<b>38,736,298</b>	<b>41,073,129</b>	<b>62,216,885</b>
<b>EARNINGS PER SHARE</b>			
<b>Basic earnings (loss) per share</b>			
Net profit (loss) - equity holders of the parent	0.0866	0.0709	0.1027
Weighted average number of ordinary shares (share)	637,598,035	637,598,035	637,598,035
<b>Diluted earnings per share</b>			
Net profit (loss) - equity holders of the parent	0.0861	0.0706	0.1027
Weighted average number of ordinary shares (share)	641,471,636	640,055,940	637,598,035

**Consolidated balance sheets as at 31st December,**

	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Assets</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	23,967,626	5,326,177	27,188,865
Investments in securities held for trading - net	-	47,807,380	4,658,065
Trade accounts receivable			
Unrelated parties - net	13,749,761	5,622,730	33,576,381
Related parties	-	209,791	-
Unbilled income	159,865,211	-	-
Inventories - room rental business	1,274,837	1,354,829	896,092
Properties for sale - net	1,056,212,290	681,281,899	179,739,008
Advances to contractors	14,881,543	5,749,470	-
Other current assets			
Prepaid expenses	25,560,219	14,959,694	3,926,257
Others	6,464,041	2,581,113	1,607,292
<b>TOTAL CURRENT ASSETS</b>	<b>1,301,975,528</b>	<b>764,893,083</b>	<b>251,591,960</b>
<b>NON-CURRENT ASSETS</b>			
Deposits at financial institutions with restrictions	4,661,702	14,704,272	3,061,846
Loans to related party and interest			
receivable - subsidiaries	-	-	-
Investments in subsidiary companies - net	-	-	-
Deposit on share purchases	-	25,000,000	-
Properties awaiting development or sale - net	98,233,676	214,044,286	374,177,666
Leasehold rights - net	164,903,086	41,398,147	60,313,755
Land, building and equipment for lease	1,190,146,590	390,302,737	568,103,862
Equipment - net	9,877,828	9,881,859	14,583,568
Advances for purchases of land	12,240,297	6,000,000	-
<b>Other non-current assets</b>			
Income tax refundable	13,682,028	14,382,517	3,179,257
Rental deposits			
Rental deposits - related party	-	5,537,567	5,537,567
Rental deposits - others	7,019,077	1,520,700	1,631,500
Others	4,246,259	1,724,762	2,190,314
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,505,010,543</b>	<b>724,496,847</b>	<b>1,032,779,335</b>
<b>TOTAL ASSETS</b>	<b>2,806,986,071</b>	<b>1,489,389,930</b>	<b>1,284,371,295</b>

**Consolidated balance sheets (continued)**

	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Bank overdraft and short-term loans			
from financial institutions	48,657,398	42,049,349	22,721,094
Trade accounts payable	34,126,084	7,826,214	3,775,486
Accounts payable - leasehold building improvement	-	64,285	169,425
Accounts payable - land	-	-	98,745,500
Accounts payable - construction	114,571,651	45,691,086	12,552,384
Short-term loans from related party and interest payable - subsidiary	-	-	-
Current portion of finance lease payable	813,893	699,827	1,361,534
Current portion of long-term loans from financial institutions	351,606,938	221,416,923	72,060,000
Current portion of debt restructuring payable	34,007,622	-	-
Current portion of long-term loans from related parties	9,895,818	-	8,767,540
Deposit from sale of project	-	-	-
Deposit from sale of investments	26,000,000	-	-
Other current liabilities			
Unrecognised income	114,362,322	74,769,637	2,404,613
Accrued expenses	36,691,583	8,363,044	15,638,161
Accrued income tax	6,345,710	-	-
Accrued withholding tax	2,340,047	1,684,413	1,937,315
Others	16,074,989	7,497,267	1,858,216
<b>TOTAL CURRENT LIABILITIES</b>	<b>795,494,055</b>	<b>410,062,045</b>	<b>241,991,268</b>



**Consolidated balance sheets (continued)**

	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial lease payable - net	725,373	518,329	569,556
Long-term loans from financial institutions - net	372,682,274	184,134,827	116,850,000
Debt restructuring payable - net	234,712,350	-	-
Long-term loans from related parties	313,701,711	-	4,119,423
Long-term loans from other persons	30,000,000	-	-
Other non-current liabilities			
Rental deposit received from related party			
- subsidiary	-	-	-
Rental deposit received from others	64,112,090	21,813,144	44,420,765
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,015,933,798</b>	<b>206,466,300</b>	<b>165,959,744</b>
<b>TOTAL LIABILITIES</b>	<b>1,811,427,853</b>	<b>616,528,345</b>	<b>407,951,012</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital			
Registered			
760,000,000 ordinary shares of Baht 1 each	760,000,000	760,000,000	760,000,000
Issued and fully paid			
637,598,035 ordinary shares of Baht 1 each	637,598,035	637,598,035	637,598,035
Premium on ordinary shares	147,196,958	147,196,958	147,196,958
Retained earnings			
Appropriated - statutory reserve	8,910,000	8,910,000	6,600,000
Unappropriated	85,565,734	62,202,293	63,959,032
Equity attributable to the company's shareholders	879,270,727	855,907,286	855,354,025
Minority interest - equity attributable to minority shareholders of subsidiary	116,287,491	16,954,299	21,066,258
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>995,558,218</b>	<b>872,861,585</b>	<b>876,420,283</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,806,986,071</b>	<b>1,489,389,930</b>	<b>1,284,371,295</b>

# STATEMENTS OF CASH FLOWS

	2008	2007	2006
<b>Cash flows from operating activities</b>			
Profit before income tax	46,318,043	66,171,589	65,498,519
Adjustment net profit to cash receipt (disbursement)			
from operating activities	-	-	-
Share of profit from investment in associated company			(961,842)
Loss - portion of minority interest in subsidiary			(3,281,634)
Depreciation and amortisation	72,994,421	44,338,961	64,340,640
Doubtful accounts	-	540,202	-
Allowance for impairment of properties for sale	-	678,074	-
Provision compensation for factory rental and related s	-	3,813,500	-
Reversal of doubtful accounts	(497,912)	-	-
Gain from disposal of investment in associated company			(53,278,209)
Loss (Gain) on sales of investments in securities held f	396,904	(86,897)	(1,187,342)
Unrealised loss (gain) on investments			
in securities held for trading	-	(59,159)	(1,608,749)
Gain from termination of leasehold right	-	-	(39,402,235)
Loss on sales of equipment for room			
rental business	-	398,910	-
Loss on sales of assets	405,453	-	-
Gain on sales of equipment	(738,316)	-	(1,158,614)
Dividend received from investment in securities	-	(1,572,443)	(639,997)
Negative goodwill	(69,819,917)	-	-
Amortization of equipment	-	197,768	836,637
Interest expenses	54,190,287	12,009,289	-
Profit from operation before changes of operating			
assets and liabilities	103,248,963	126,429,794	29,157,174
Decrease (Increase) in changes of operating assets			
Trade accounts receivable - unrelated parties	(3,890,182)	27,413,449	18,123,296
Trade accounts receivable - related parties	209,791	(209,791)	267,781
Unbilled income	(159,865,211)	-	-
Inventories - room rental business	79,992	(458,738)	(229,803)
Properties for sale	(216,280,580)	(1,448,495)	4,969,760
Advances to contractors	(9,132,073)	(11,033,437)	-
Other current assets	12,560,121	(973,819)	291,908
Other non-current assets	13,626,481	1,834,376	4,194,539
Decrease (Increase) in changes of operating assets	(362,691,661)	15,123,545	27,617,481

**STATEMENTS OF CASH FLOWS (continued)**

	<b>2008</b>	<b>2007</b>	<b>2006</b>
Increase (Decrease) in changes of operating liabilities			
Trade accounts payable	26,299,870	4,050,729	1,946,453
Accounts payable - related parties	-	-	(1,382,904)
Accounts payable - leasehold building improvement	(64,285)	(105,140)	(189,359)
Accounts payable - construction	68,880,565	-	-
Deposits and advance received from customers	1,034,925	74,214,706	(123,143)
Accrued dividend expenses	(450,000,000)	-	-
Other current liabilities	9,702,888	(4,213,091)	953,155
Other non-current liabilities - rental deposit received	42,298,946	(22,607,621)	9,085,999
Increase (Decrease) in changes of operating liabilities	(301,847,091)	51,339,583	10,290,201
Cash provided by (used in) operating activities	(561,289,789)	192,892,922	67,064,856
Interest paid	(85,866,834)	(24,844,510)	-
Income tax paid	(11,091,619)	(37,559,744)	-
Net cash from (used in ) operating activities	(658,248,242)	130,488,668	67,064,856
<b>Cash flows from investing activities</b>			
Increase in deposits at financial institutions with restrictions	10,042,570	(11,642,426)	(2,908,425)
Cash received from sales of investments in securities held for trading	47,410,475	9,606,120	8,601,674
Cash paid for investments in securities held for trading	-	(52,609,380)	(52,640)
Dividend received from investment in securities held for trading	-	1,572,443	639,997
Cash paid for deposit on share purchases	-	(25,000,000)	-
Cash received from disposal of investment in subsidiary	-	-	150,000,000
Purchase of properties awaiting development or sale	(11,162,654)	(175,074,812)	(242,464,825)
Cash received in compensation for leasehold termination		-	285,449,826
Purchase of leasehold right			(26,940,000)
Purchase of building and equipment held for lease	(49,951,639)	(63,206,922)	(25,448,900)
Purchase of improvement of leasehold building and equipment for room rental business	-	(7,085,348)	(4,421,202)
Cash received from sales of equipment for room rental business	604,544	149,823	-
Purchase of equipment	(2,819,377)	(707,694)	(6,821,094)
Cash received from sales of equipment	738,317	-	1,917,346
Advance for purchase of land	(6,240,297)	(6,000,000)	-
Deposit from sale of investments	26,000,000	-	-
Cash received from purchase of subsidiary - net	65,163,490	-	-
Net cash from (used in) investing activities	79,785,429	(329,998,196)	137,551,757

**STATEMENTS OF CASH FLOWS (continued)**

	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Cash flows from financing activities</b>			
Increase (Decrease) in bank overdrafts and short-term loans			
from financial institutions	6,608,049	19,328,255	(73,488,567)
Decrease in liabilities under financial lease	321,110	(838,342)	(1,797,129)
Draw down of short-term loan from related parties	-	107,000,000	-
Repaymet of short-term loan from related parties	-	(107,000,000)	-
Draw down of long-term loans from financial institution	356,860,000	228,061,750	118,950,000
Repayment of long-term loans from financial institution	(38,122,538)	(11,420,000)	(204,223,404)
Repayment of debt restructuring payable	(50,280,028)	-	-
Draw down of loans from other person	30,000,000	-	-
Draw down of long-term loans from related parties	370,134,450	-	-
Repayment of long-term loans from related parties	(46,536,921)	(12,886,963)	(8,135,149)
Dividend paid	(31,879,860)	(44,597,860)	(12,720,855)
<b>Net cash from (used in) financing activities</b>	<b>597,104,262</b>	<b>177,646,840</b>	<b>(181,415,104)</b>
Net increase (decrease) in cash and cash equivalents	18,641,449	(21,862,688)	23,201,509
Cash and cash equivalents at beginning of period	5,326,177	27,188,865	3,987,356
Cash and cash equivalents at ending of period	<u>23,967,626</u>	<u>5,326,177</u>	<u>27,188,865</u>

## Financial ratios

	2008		2007	2006
1 Gross profit margin	35.70%		40.55%	35.23%
2 Profit before tax margin	8.97%		11.92%	21.79%
3 Net profit margin	9.25%		8.03%	15.91%
4 Earnings (loss) per share (Baht)	0.0866		0.0709	0.1027
5 Dividend per share (Baht)	-	*/	0.05	0.07
6 Return on equity (ROE)	3.89%		4.71%	7.10%
7 Return on assets (ROA)	1.38%		2.76%	4.84%
8 Net book value (Baht/share)	1.56		1.37	1.37
9 Current ratio (time)	1.64		1.87	1.04
10 Total debt to equity (time)	1.82		0.71	0.47

## Explanation and Analysis of Operating Results and Financial Status

### (a) Operation Results

#### Revenue

In 2008, the Company and its subsidiaries recorded total revenue from sales and services of Baht 516 million. Compared with total revenue from sales and services of Baht 555 million in 2007, revenue from sales and services decreased by 7 per cent. However, the total revenue for the year 2008 was Baht 597 million, an increase of 6 per cent from the total revenue for the year 2007, which was Baht 563 million. The increase in total revenue came from the increase of other income from Baht 8 million in 2007 to Baht 81 million in 2008. The increase in other income was mainly contributed by the income from goodwill of Baht 70 million from the acquisition of office space rental business. Besides, this acquisition also contributed to higher rent and service revenue in 2008. Rent and service revenue in 2008 was Baht 171 million, a 159 per cent raise from rent and service revenue of Baht 66 million in 2007. The ratio of revenue from sales to revenue from rent and service has changed from 70/30 in 2007 to 49/51 in 2008.

#### Cost of sales and services

Proportion of cost of sales and services to sales revenue remains the same with last year, which is 58 per cent. Cost of rent and service rose

to 71 per cent of revenue from rent and service in 2008 from 63 per cent in 2007. This was due to depreciation expense incurred at one of the Company's subsidiaries. The depreciation expense was incurred in relation to assets acquired during 2008 which had not generated revenue simultaneously.

### **Operating expense**

Proportion of selling and administrative expense as a percentage of revenue from sales, rent and service was 32 per cent in 2008 and was 28 per cent in 2007. The increase in the proportion can be attributed to operating expense incurred in setting up new project which did not generate revenue instantly. Financial expense incurred from interest expense went up materially from Baht 12 million in 2007 to Baht 54 million in 2008, or approximately 350 per cent. This was caused by the increase in borrowings from financial institution both by the Company and its subsidiaries during the year 2008 to develop new projects.

### **Net profit**

The Company and its subsidiaries' consolidated net profit grew by 22 per cent, from Baht 45 million in 2007 to Baht 55 million in 2008. The result was mainly due to goodwill income of Baht 70 million as mentioned in the explanation of Revenue section. On separate financial statement, the Company's net profit dropped by 74 per cent, from Baht 46 million in 2007 to Baht 12 million in 2008. The major causes of the decline were the 35 per cent decrease in revenue from sales, rent and service, the Company recognition of loss from investment in subsidiaries and the increase in condominium selling expense.

## **(b) Financial Status**

### **Assets**

As at 31<sup>st</sup> December 2008, the Company and its subsidiaries had total assets of Baht 2,807 billion. Of this, Baht 2,669 million was assets for sales and rent, which accounted for 95 percent of total assets. The remaining was current assets and equipment and tools used in the business operation. The overall assets size rose from Baht 1,489 million in 2007 by Baht 1,318 million or approximately 89 per cent, resulting from the Company and its subsidiaries investments in existing as well as new projects during 2008.

### **Liabilities**

At 2008 year end, the Company and its subsidiaries recorded total liabilities of Baht 1,811 million. This consisted of Baht 951 million of long-term loans, Baht 444 million of short-term loans, Baht 149 million

of accounts payable and Baht 267 million of other liabilities. The total liabilities as at 2008 year end increased by Baht 1,195 million from total liabilities at 2007 year end of Baht 616 million, or an increase of approximately 194 per cent. Total liabilities to shareholders' equity ratio rose from 0.71 time in 2007 to 1.82 times in 2008. The rise was due to the borrowings from financial institutions by the Company and its subsidiaries during 2008 to be used in the development and construction of several existing and new projects.

### **Total shareholders' equity**

At the end of 2008, shareholders' equity totaled Baht 996 million, consisted of Baht 638 million of issued and fully paid-up shares, Baht 147 million of share premium, Baht 94 million of retained earnings and Baht 116 million of equity attributable to minority interest of minority shareholders in subsidiaries. Shareholders' equity went up by Baht 123 million from Baht 873 million in 2007 partly due to the acquisition of an office space rental subsidiary and net profit of the year 2008.

Nevertheless, total liabilities to shareholders' equity ratio rose from 0.71 time in 2007 to 1.82 times in 2008. The ratio rose at an accelerated rate and materially, especially at subsidiary level. At some subsidiary, the ratio was escalated to as high as 4 – 16 times, the capital structure needs adjustments going forward.

### **Liquidity**

At the end of 2008, the current ratio of the Company and its subsidiaries was 1.64, compared to 1.87 in 2007. The liquidity is lower slightly since more loans from financial institutions were nearer to maturity; meanwhile, most of the remaining inventory is properties which are under development for sales. In addition to speeding inventory sales to improve liquidity, the Company would also mobilize fund from selling of assets in subsidiary and increase the Company and its subsidiaries' capital instead of borrowing more from financial institutions to maintain the ratio of total liabilities to shareholders' equity of not more than 2.

**(c) Major factors and influences that may affect future operations or financial status**

Major factors and influences that may affect future operations or financial status are divided into two categories, the internal factors and the external factors:

**1. Internal factors from business operation**

The Company operates in property development business sector, industrial estate project in particular. Therefore, fund required for investment is relatively high. Moreover, property development requires lengthy time to be spent on land improvement and installation of infrastructure. The nature of the business itself exposed the Company to finance and liquidity risks if sales do not meet planned target or if projects experience delay. Condominium and office rent businesses bear the same risks with the industrial estate business and also subject to competition from players in the same industry. However, the risks from internal factors can be guarded against and controlled by effective risk management.

**2. External factors**

External factors and influences which might affect the Company's operation are the economic conditions in Thailand and the region, world economy, interest rate, oil price, natural disaster, changes in laws and regulations imposed by government agencies as well as consumer behavior. Such factors are beyond the Company's control and expectation. Hence, the risk management measures to contain risks from internal factors must be effective and flexible to allow the Company to also accommodate external factors and influences.

**2.6 Financial projection for the current year( if any)**

- None -

**2.7 Information that may materially affect the decision of shareholders**

- None -

**2.8 Pending litigation or claim**

In 2006, SG Land Co., Ltd. (a subsidiary) was a defendant in litigation. The plaintiff sued SG Land Co., Ltd. for breaching of building lease contract and claimed for damage for Baht 5 million a month from the date the case was filed until the plaintiff relocated from the building. The civil court dismissed the case. Subsequently, the plaintiff pleaded to the Appeal Court in October 2007. The subsidiary failed to object to the appeal within the deadline. The Company's management believes that the



case is under the appeal court process and might be filed to the Supreme Court as the next process. Should the case ended and the subsidiary lost the case, the subsidiary had to return the building to the plaintiff. Potential damage to the subsidiary would be approximately Baht 459 million (assessed in February 2008) or net book value. The damage to the Company may be equivalent to value of investment in the subsidiary.

**2.9 Interest or connected transactions between the listed company and directors, management and shareholders directly or indirectly holding shares amounting to 10 percent or more**

- None -

Thai Factory Development Public Company Limited would like to certify that in entering into this transaction, the Company has considered the transaction to ensure the reasonableness of transaction and the shareholders' best interest. The Company would like to certify that information disclosed in this information memorandum is true and correct.

**Thai Factory Development Public Company Limited**

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(Mr Gumpol Tiyarat)  
Director

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(Mr. Tavatchai Jiaravudhi)  
Director