

ANNUAL REPORT 2005

รายงานประจำปี 2548



2548
ANNUAL REPORT 2005

STP&I

STP & I PUBLIC COMPANY LIMITED

*INDEX

Message from the Chairman	1
General Information	2
Financial Highlight	3-4
Board of Directors	5-13
Management Executive	14-20
Business Overview	21-23
Shareholders	24
Investment	25
Revenue Structure	26
Industry and Competition	27-28
Risk Factors	29-30
Management Structure	31
Policy on Good Corporate Governance	32-35
Related Parties Transactions	36-38
Management Discussion and Analysis	39-41
Report on the Responsibility of the Board of Directors	42
Audit Committee's Report	43
Financial Statement	44-51
Notes to Consolidated Financials	52-75
Other References	76

2548 ANNUAL REPORT 2005

* MESSAGE FROM THE CHAIRMAN

Fiscal year 2005 was another successful year for STP&I Public Company Limited and its subsidiaries. As a result, STP&I achieved the net profit performance of Baht 147 million, increased by 398% from Year 2004.

Our success in Year 2005 derived from the economic expansion throughout the Kingdom, the market penetration to high valued-added products, strong networking and business alliances. Besides, our commitment to human resources development, high technology enhancement within the organization, and risk management on safety and a recognized quality program provide one of the strongest assurances of production quality available to our clients.

At STP&I, we have developed a culture that promotes an injury-free environment and provides the safest workplace possible for our employees, subcontractors, and clients. We have just celebrated, one of our mega-projects, our 7,000,000 hours worked without losing any time to injury in November and we will continually strive to provide high safety standard to everyone.

I would like to extend my sincere thanks to all STP&I shareholders, management, employees, subcontractors, suppliers, as well as our value clients who have continued to trust and support us to produce fabulous work both in and outside of Thailand.

For and on behalf of
STP & I Public Company Limited



Chavarat Charnvirakul
Chairman



ANNUAL REPORT 2005

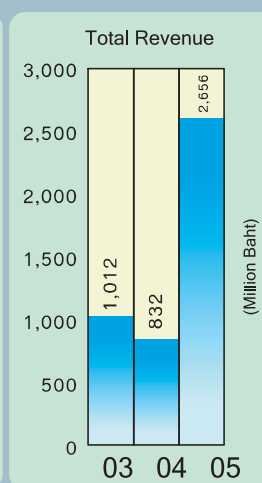
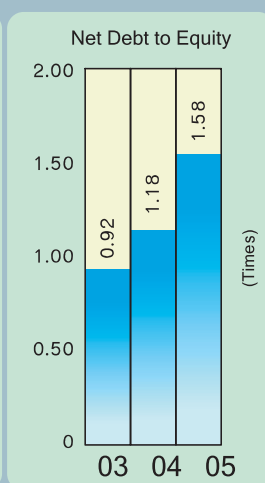
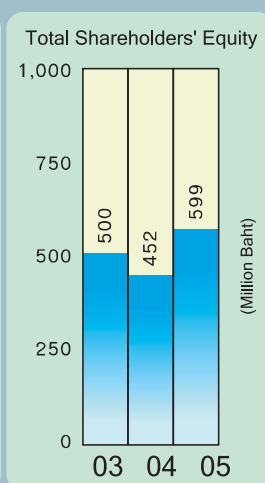
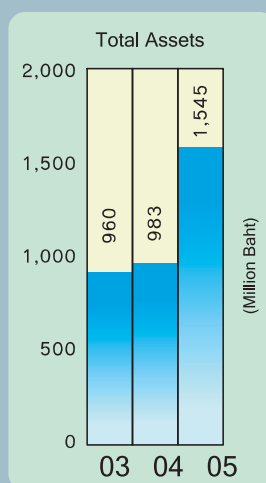
* GENERAL INFORMATION

Company	:	STP & I Public Company Limited
Types of Business	:	Structure Steel Fabrication, Piping Fabrication, Pressure Vessel, Tank, Heat Exchanger, Boiler, and Process Module
Registration Number	:	Bor Mor Jor 568
Address	:	32/56, 26th Floor, Sino-Thai Tower Sukhumvit 21 Road, Soi Asoke Klongtoey-Nua, Wattana, Bangkok 10110
Phone	:	+66 (0) 2260 1181
Fax	:	+66 (0) 2260 1182
Website	:	www.stpi.co.th
Registered Capital	:	Baht 250,000,000 divided into 250,000,000 Common Shares at 1 Baht Par Value
Paid-up Capital	:	Baht 250,000,000 divided into 250,000,000 Common Shares at 1 Baht Par Value

ANNUAL REPORT 2005

* FINANCIAL HIGHLIGHT

		For the Year Ended December 31		
		2005	2004	2003
Financial Statements				
Total Assets	(Mil.Baht)	1,545	983	960
Total Liabilities	(Mil.Baht)	946	531	460
Shareholders' Equity	(Mil.Baht)	599	452	500
Registered, Issued and Fully Paid	(Mil.Baht)	250	250	250
Operating Results				
Revenues from Fabrication Work, Sales and Services	(Mil.Baht)	2,656	832	1,012
Cost of Fabrication Work, Sales and Services	(Mil.Baht)	2,434	827	938
Gross Earnings	(Mil.Baht)	222	5	75
Selling and Administrative Expenses	(Mil.Baht)	85	76	61
Other Income	(Mil.Baht)	28	35	76
Other Expenses	(Mil.Baht)	2	0	2
Earnings from Operating Activities	(Mil.Baht)	163	(36)	88
Interest Expenses	(Mil.Baht)	10	10	10
Corporate Income Tax	(Mil.Baht)	5	3	4
Net Profit	(Mil.Baht)	147	(49)	74

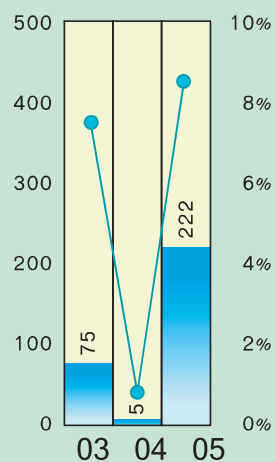


ANNUAL REPORT 2005

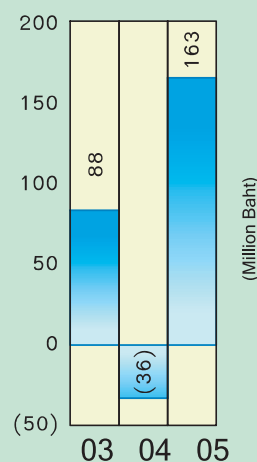
* FINANCIAL HIGHLIGHT

		For the Year Ended December 31		
		2005	2004	2003
Financial Ratio				
Gross Profit	(%)	8.36	0.61	7.36
Net Profit Rate	(%)	5.47	(5.68)	6.83
Return on Asset Rate	(%)	11.62	(5.07)	7.31
Return on Equity Rate	(%)	27.96	(10.34)	16.04
Interest Coverage Ratio Rate	(Times)	7.30	3.73	1.48
Debt / Equity Ratio	(Times)	1.58	1.18	0.92
Share Information				
Net Earnings per Share	(Baht)	0.59	(0.20)	0.30
Book Value per Share	(Baht)	2.40	1.81	2.00
Dividend per Share	(Baht)	0.00	0.00	0.00

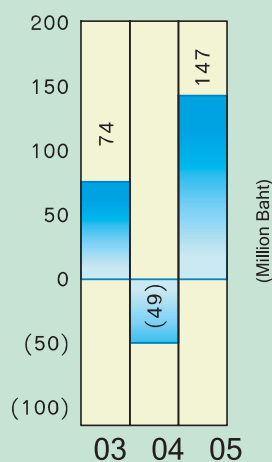
Gross Profit & Gross Profit Margin



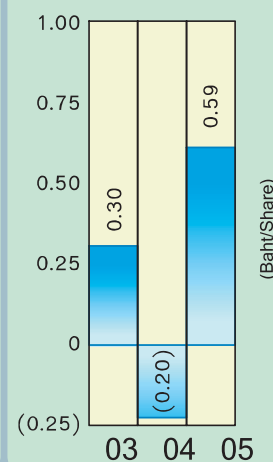
Operating Income



Net Earnings



Earnings per Share



ANNUAL REPORT 2005

* BOARD OF DIRECTORS



Mr. Chavarat Charnvirakul
Chairman of the Board



Mr. Masthawin Charnvirakul
Director and Managing Director



Dr. Chira Hongladarom
Independent Director



Dr. Wicha Jiwalai
Independent Director and
Chairman of the Audit Committee



Pol. Maj. Gen. Jate Mongkolhutthi
Independent Director and
Member of Audit Committee



Mr. Osada Yasunori
Director



Mr. Dol Watanasri
Independent Director and
Member of Audit Committee



Mr. Chamni Janchai
Director

ANNUAL REPORT 2005

* BOARD OF DIRECTORS

EDUCATION

- FELLOW OF THE NATIONAL DEFENCE COLLEGE OF THAILAND FOR THE JOINT STATES–PRIVATE CLASS
- B.A. (ECON), THAMMASAT UNIVERSITY
- CERTIFICATE OF CHAIRMAN 2000 (RCM), CLASS 3RD, THAI INSTITUTE OF DIRECTORS (IOD)
- CERTIFICATE OF FINANCE FOR NON FINANCE (FN), CLASS 22ND, THAI INSTITUTE OF DIRECTORS (IOD)

EXPERIENCE

- DEPUTY FINANCE MINISTER, MINISTRY OF FINANCE

RELATIONSHIP

- FATHER OF MR. MASTHAWIN CHARNVIRAKUL, DIRECTOR AND MANAGING DIRECTOR

MEETING ATTENDANCE

- IN 2005, HE COMPLETELY ATTENDED 4 BOARD OF DIRECTORS' MEETINGS.

PRESENT POSITION

- HONORARY SENIOR ADVISOR, THE FEDERATION OF THAI INDUSTRY
- CHAIRMAN OF THE BOARD, IRON AND STEEL INSTITUTE OF THAILAND
- HONORARY CONSUL GENERAL OF PAPUA NEW GUINEA
ADVISOR TO FINANCE MINISTRY
- CHAIRMAN OF THE BOARD, HTR Co., LTD.
- DIRECTOR AND BOARD ADVISOR
 - * SINO–THAI ENGINEERING AND CONSTRUCTION PUBLIC Co., LTD.
 - * VINYTHAI PUBLIC Co., LTD.
 - * KPN AUTOMOTIVE PUBLIC Co., LTD.
 - * PEROXYTHAI Co., LTD.
 - * SUN PARATECH Co., LTD.
 - * INTEL VISION SECURITIES Co., LTD.



MR. CHAVARAT CHARNVIRAKUL
CHAIRMAN OF THE BOARD

ANNUAL REPORT 2005

* BOARD OF DIRECTORS

EDUCATION

- MBA, UNIVERSITY OF SOUTHERN CALIFORNIA, USA
- BACHELOR OF COMMERCE AND ACCOUNTANCE, CHULALONGKORN UNIVERSITY
- CERTIFICATE OF DIRECTOR ACCREDITATION PROGRAM (DAP), CLASS 1ST, THAI INSTITUTE OF DIRECTORS (IOD)

EXPERIENCE

- ASSISTANT PORTFOLIO, PREMIER FINANCE & SECURITIES Co., LTD.
- MANAGEMENT TRAINEE, FLUOR DANIEL, USA
- BUSINESS ANALYST/ MARKETING MANAGER
SCC-DOW CHEMICAL JOINT VENTURE

RELATIONSHIP

- 2ND CHILD OF MR. CHAVARAT CHARNVIRAKUL, CHAIRMAN OF THE BOARD
- SPOUSE OF MRS. ATITAYA CHARNVIRAKUL, ADMINISTRATIVE MANAGER

MEETING ATTENDANCE

- IN 2005, HE COMPLETELY ATTENDED 4 BOARD OF DIRECTORS' MEETINGS.

PRESENT POSITION

- DIRECTOR
SINO-THAI ENGINEERING AND CONSTRUCTION PUBLIC Co., LTD.
STIT Co., LTD.
INTER IMC PTE LTD., SINGAPORE
THAI MAINTENANCE CONTRACTING Co., LTD.
CLOUGH SINO-THAI Co., LTD.
STP&I PUBLIC Co., LTD.
SINO THAI DEVELOPMENT Co., LTD.
CT VENTURE Co., LTD.



MR. MASTHAWIN CHARNVIRAKUL
DIRECTOR AND MANAGING DIRECTOR

ANNUAL REPORT 2005

* BOARD OF DIRECTORS

EDUCATION

- PH.D. ECONOMICS, WASHINGTON UNIVERSITY , USA
- CERTIFICATE OF DIRECTOR ACCREDITATION PROGRAM (DAP), CLASS 25TH, THAI INSTITUTE OF DIRECTORS (IOD)

EXPERIENCE

- VICE-RECTOR, PLANNING AND DEVELOPMENT AFFAIRS, THAMMASAT UNIVERSITY
- ADVISOR TO ASEAN DEPARTMENT, MINISTRY OF FOREIGN AFFAIRS
- ADVISOR TO PRIME MINISTER OF LABOUR DEVELOPMENT
- ADVISOR TO GOVERNOR OF BANGKOK METROPOLITAN

MEETING ATTENDANCE

- IN 2005, HE ATTENDED 2 OF 4 BOARD OF DIRECTORS' MEETINGS.

PRESENT POSITION

- SECRETARY OF FOUNDATION FOR INTERNATIONAL HUMAN RESOURCES DEVELOPMENT
- CHAIRMAN, ASEAN-EC MANAGEMENT CENTER
- BOARD ADVISOR, SINO-THAI ENGINEERING AND CONSTRUCTION PUBLIC Co., LTD.
- CHAIRMAN, ASIA PACIFIC CONSULTANTS Co., LTD.
- PRESIDENT OF STAMFORD UNIVERSITY COUNCIL
- BOARD COUNCIL :
KON KAEN UNIVERSITY
UBONRATCHATHANI UNIVERSITY



DR. CHIRA HONGLADAROM
INDEPENDENT DIRECTOR

ANNUAL REPORT 2005

* BOARD OF DIRECTORS

EDUCATION

- PH.D. (GEODETIC SCIENCE), THE OHIO STATE UNIVERSITY, USA
- CERTIFICATE OF DIRECTOR CERTIFICATION PROGRAM (DCP), CLASS 14TH, THAI INSTITUTE OF DIRECTORS (IOD)

EXPERIENCE

- ASSOCIATED PROFESSOR AND HEAD OF DEPARTMENT OF SURVEY ENGINEERING, FACULTY OF ENGINEERING, CHULALONGKORN UNIVERSITY
- ASSOCIATED GOVERNOR OF BANGKOK METROPOLITAN

MEETING ATTENDANCE

- IN 2005, HE COMPLETELY ATTENDED 4 BOARD OF DIRECTORS' MEETINGS AND 4 AUDIT COMMITTEE'S MEETINGS.

PRESENT POSITION

- CHAIRMAN OF THE BOARD, SALINTARA Co., LTD., AND BANNPULOM Co., LTD.
- CHAIRMAN OF THE BOARD GEO-INFORMATICS AND SPACE TECHNOLOGY DEVELOPMENT AGENCY (PUBLIC ORGANIZATION)
- DIRECTOR, WORLD RESORT Co., LTD.



DR. WICHA JIWALAI
INDEPENDENT DIRECTOR AND
CHAIRMAN OF THE AUDIT COMMITTEE

ANNUAL REPORT 2005

* BOARD OF DIRECTORS

EDUCATION

- MASTER OF LAWS, CHULALONGKORN UNIVERSITY
- CERTIFICATE OF DIRECTOR ACCREDITATION PROGRAM (DAP), CLASS 8TH, THAI INSTITUTE OF DIRECTORS (IOD)

EXPERIENCE

- ASSISTANT COMMISSIONER, METROPOLITAN POLICE BUREAU, ROYAL THAI POLICE

MEETING ATTENDANCE

- IN 2005, HE COMPLETELY ATTENDED 4 BOARD OF DIRECTORS' MEETINGS AND 3 OF 4 AUDIT COMMITTEE'S MEETINGS.

PRESENT POSITION

- VISE-COMMISSIONER, METROPOLITAN POLICE BUREAU, ROYAL THAI POLICE
- INDEPENDENT DIRECTOR AND AUDIT COMMITTEE, SINO-THAI ENGINEERING AND CONSTRUCTION PUBLIC Co., LTD.



POL. MAJ. GEN. JATE MONGKOLHUTTHI
INDEPENDENT DIRECTOR AND
MEMBER OF AUDIT COMMITTEE

ANNUAL REPORT 2005

* BOARD OF DIRECTORS

EDUCATION

- AOYAMAGAKUIN UNIVERSITY SCHOOL OF ECONOMICS

EXPERIENCE

- ADMINISTRATION DIVISION STEEL TOWER
TOMOE - CORPORATION TOYOSU FACTORY
- DIRECTOR/ BUSINESS DIVISION
TOMOE - CORPORATION
- OVERSEAS DIVISION GENERAL MANAGER

MEETING ATTENDANCE

- IN 2005, HE ATTENDED 1 OF 4 BOARD OF DIRECTORS' MEETINGS.

PRESENT POSITION

- PRESIDENT, TAI ENGINEERING Co., LTD.



MR. OSADA YASUNORI

DIRECTOR

ANNUAL REPORT 2005

* BOARD OF DIRECTORS

EDUCATION

- MASTER OF MANAGEMENT, SASIN GRADUATE INSTITUTE OF BUSINESS & ADMINISTRATION OF CHULALONGKORN UNIVERSITY
- CERTIFICATE OF DIRECTOR ACCREDITATION PROGRAM (DAP), CLASS 8TH, THAI INSTITUTE OF DIRECTORS (IOD)

EXPERIENCE

- DEPUTY MANAGING DIRECTOR, CITIBANK N.A., BANGKOK
- INDEPENDENT DIRECTOR SINO-THAI ENGINEERING AND CONSTRUCTION PUBLIC Co., LTD.

MEETING ATTENDANCE

- IN 2005, HE COMPLETELY ATTENDED 4 BOARD OF DIRECTORS' MEETINGS AND 3 OF 4 AUDIT COMMITTEE'S MEETINGS.

PRESENT POSITION

- VICE PRESIDENT
GLOBAL SECURITIES SERVICES, CITIBANK N.A., BANGKOK



MR. DOL WATANASRI
INDEPENDENT DIRECTOR AND
MEMBER OF AUDIT COMMITTEE

ANNUAL REPORT 2005

* BOARD OF DIRECTORS

EDUCATION

- ADVANCE CERTIFICATE – PUBLIC ECONOMIC MANAGEMENT, PRADJADHIPOK'S INSTITUTE
- MBA, THAMMASAT UNIVERSITY
- B.A.(ACCOUNTING), THAMMASAT UNIVERSITY
- CERTIFICATE OF DIRECTOR ACCREDITATION PROGRAM (DAP), CLASS 30TH, THAI INSTITUTE OF DIRECTORS (IOD)

EXPERIENCE

- DIRECTOR AND VICE PRESIDENT, NTS STEEL GROUP PUBLIC Co., LTD.
- DEPUTY BOARD, NAKORN THAI STRIP MILL PUBLIC Co., LTD.
- HONORARY BOARD AND MANAGING DIRECTOR, IRON AND STEEL INSTITUTE OF THAILAND

MEETING ATTENDANCE

- IN 2005, HE COMPLETELY ATTENDED 4 BOARD OF DIRECTORS' MEETINGS.

SHARE PROPORTION 4.60%

PRESENT POSITION

- CHAIRMAN OF THE BOARD, RAYONG BULK TERMINAL COMPANY LIMITED
- DIRECTOR AND CHAIRMAN OF AUDIT COMMITTEE, SINO-THAI ENGINEERING & CONSTRUCTION PUBLIC Co., LTD.
- DIRECTOR AND AUDIT COMMITTEE, THAI THEPAROS FOOD PRODUCTS PUBLIC Co., LTD.
- CEO, CJ MORGAN Co., LTD.
- CONSULTANT TO PRESIDENT OF COMMITTEE ON COMMUNICATION AND TELECOMMUNICATION.
- CONSULTANT TO SUB-COMMITTEE ON COMMUNICATION AND TELECOMMUNICATION.



MR. CHAMNI JANCHAI
DIRECTOR

ANNUAL REPORT 2005

* MANAGEMENT EXECUTIVE



MR. MASTHAWIN CHARNVIRAKUL
DIRECTOR AND MANAGING DIRECTOR



MRS. ATITAYA CHARNVIRAKUL
ADMINISTRATIVE MANAGER



MR. SUWAT RIENSIRIWAN
**DEPUTY MANAGING DIRECTOR/ SURROGATE
OF ENGINEERING MANAGER AND PLANT
MANAGER I (CHONBURI)**



MR. CHOAVALIT LIMPANICH
**DEPUTY MANAGING DIRECTOR/
SURROGATE OF PLANT MANAGER II
(RAYONG)**



LT.JG. KITTI JUNSANGSRI R.T.N
MARKETING & ESTIMATION MANAGER



MS. PREMPHA HITAPHAN
FINANCE & ACCOUNTING MANAGER

ANNUAL REPORT 2005

* MANAGEMENT EXECUTIVE

EDUCATION

- MBA, UNIVERSITY OF SOUTHERN CALIFORNIA, USA
- BACHELOR OF COMMERCE AND ACCOUNTANCE, CHULALONGKORN UNIVERSITY
- CERTIFICATE OF DIRECTOR ACCREDITATION PROGRAM (DAP), CLASS 1ST, THAI INSTITUTE OF DIRECTORS (IOD)

EXPERIENCE

- ASSISTANT PORTFOLIO, PREMIER FINANCE & SECURITIES Co., LTD.
- MANAGEMENT TRAINEE, FLUOR DANIEL, USA
- BUSINESS ANALYST/ MARKETING MANAGER
SCC–DOW CHEMICAL JOINT VENTURE

RELATIONSHIP

- 2ND CHILD OF MR. CHAVARAT CHARNVIRAKUL, CHAIRMAN OF THE BOARD
- SPOUSE OF MRS. ATITAYA CHARNVIRAKUL, ADMINISTRATIVE MANAGER

MEETING ATTENDANCE

- IN 2005, HE COMPLETELY ATTENDED 4 BOARD OF DIRECTORS' MEETINGS.

PRESENT POSITION

- DIRECTOR
SINO-THAI ENGINEERING AND CONSTRUCTION PUBLIC Co., LTD.
STIT Co., LTD.
INTER IMC PTE LTD., SINGAPORE
THAI MAINTENANCE CONTRACTING Co., LTD.
CLOUGH SINO-THAI Co., LTD.
STP&I PUBLIC Co., LTD.
SINO THAI DEVELOPMENT Co., LTD.
CT VENTURE Co., LTD.



MR. MASTHAWIN CHARNVIRAKUL
DIRECTOR AND MANAGING DIRECTOR

ANNUAL REPORT 2005

* MANAGEMENT EXECUTIVE

EDUCATION

- MBA, UNIVERSITY OF SOUTHERN CALIFORNIA, USA
- BACHELOR OF COMMERCE AND ACCOUNTANCE, CHULALONGKORN UNIVERSITY

EXPERIENCE

- FINANCIAL & ACCOUNTING MANAGER/
AUDITING & CONTROLLING COST MANAGER,
STP&I PUBLIC Co., LTD.

RELATIONSHIP

- SPOUSE OF MR. MASTHAWIN CHARNVIRAKUL,
DIRECTOR AND MANAGING DIRECTOR

PRESENT POSITION

- DIRECTOR
 - * STIT Co., LTD.
 - * INTER IMC PTE LTD., SINGAPORE
- ADMINISTRATIVE MANAGER
 - * STP&I PUBLIC Co., LTD.



MRS. ATITAYA CHARNVIRAKUL
ADMINISTRATIVE MANAGER

ANNUAL REPORT 2005

* MANAGEMENT EXECUTIVE

EDUCATION

- B.ENG (MECHANICAL),
CHULALONGKORN UNIVERSITY

EXPERIENCE

- ASSOCIATED GENERAL MANAGER,
SINO - THAI PRESSURE VESSEL AND IRON WORKS CO., LTD.
- DEPUTY MANAGING DIRECTOR,
STP&I PUBLIC CO., LTD.
- DIRECTOR AND MANAGING DIRECTOR,
STIT CO., LTD.

PRESENT POSITION

- DEPUTY MANAGING DIRECTOR,
STP&I PUBLIC CO., LTD.



MR. SUWAT RIENSIRIWAN
DEPUTY MANAGING DIRECTOR/ SURROGATE
OF ENGINEERING MANAGER AND PLANT
MANAGER I (CHONBURI)

ANNUAL REPORT 2005

* MANAGEMENT EXECUTIVE

EDUCATION

- MBA, NATIONAL INSTITUTE OF DEVELOPMENT ADMINISTRATION (NIDA)
- B.ENG. (MECHANICAL), PRINCE OF SONGKLA UNIVERSITY

EXPERIENCE

- PLANT ENGINEER, KAO INDUSTRIAL (THAILAND) Co., LTD.
- MECHANICAL ENGINEER,
SINO-THAI ENGINEERING AND CONSTRUCTION PUBLIC Co., LTD.
- TECHNICAL MANAGER,
SINO-THAI PRESSURE VESSEL AND IRON WORKS Co., LTD.
- DIRECTOR OF OPERATIONS / PLANT MANAGER (CHONBURI)
STP&I PUBLIC Co., LTD.

SHARE PROPORTION: 4%

PRESENT POSITION

- DEPUTY MANAGING DIRECTOR, STP&I PUBLIC Co., LTD.
- DIRECTOR, THAI MAINTENANCE CONTRACTING Co., LTD.



MR. CHOAVALIT LIMPANICH

**DEPUTY MANAGING DIRECTOR/
SURROGATE OF PLANT MANAGER II
(RAYONG)**

ANNUAL REPORT 2005

* MANAGEMENT EXECUTIVE

EDUCATION

- MBA, NATIONAL INSTITUTE OF DEVELOPMENT ADMINISTRATION (NIDA)
- MASTER OF ENGINEERING, KING MONGKUT INSTITUTE OF TECHNOLOGY
- B.ENG. (MECHANICAL), CHIANG MAI UNIVERSITY

EXPERIENCE

- DESIGNING AND PLANNING ENGINEER, KING RAMA 5 NAVAL DOCK YARD, NAVAL DOCK YARD BUREAU, ROYAL THAI NAVY
- ENGINEER, SINO-THAI PRESSURE VESSEL AND IRON WORKS Co., LTD.

SHARE PROPORTION: 1%

PRESENT POSITION

- MARKETING & ESTIMATION MANAGER,
STP&I PUBLIC Co., LTD.



LT.JG. KITTI JUNSANGSRI R.T.N
MARKETING & ESTIMATION MANAGER

ANNUAL REPORT 2005

* MANAGEMENT EXECUTIVE

EDUCATION

- MASTER OF MANAGEMENT, COLLEGE OF MANAGEMENT, MAHIDOL UNIVERSITY
- B.A. (ACCOUNTING), CHULALONGKORN UNIVERSITY

EXPERIENCE

- ASSISTANT TO AUDIT MANAGER, ERNST & YOUNG OFFICE Co., LTD.

PRESENT POSITION

- FINANCE & ACCOUNTING MANAGER, STP&I PUBLIC Co., LTD.



MS. PREMPHA HITAPHAN
FINANCE & ACCOUNTING MANAGER

ANNUAL REPORT 2005

* BUSINESS OVERVIEW

STP&I Public Company Limited established in 1975. STP&I has vast experiences in the custom steel fabrication business over 30 years. STP&I operates itself with steel fabrication capacity of 50,000 tonnes per year and is also one of Thailand largest fabricators with piping capacity of 900,000 diameter-inches per year. Both of our two plants, Chonburi and Rayong, have nearby locations of Laem Chabang Seaport, Map Ta Phut Seaport, and Sriracha Harbour, including main domestic markets which are convenient to transport products and raw materials both internally and externally.

Products of STP&I can be categorized into two groups:

1. Structure Steel Fabrication: One of STP&I 's strengths is its capability to fabricate large built-up beam steel for huge infrastructure and heavy industry projects such as power plants, oil refineries, petrochemical plants, high-rise buildings, roof structure, bridges, elevated highways, and airports. In addition to the heavy structures, STP&I also possesses the skills and expertise to design and fabricate complicate steel configurations from plate and light steel such as antenna structures and high-voltage transmission line towers.



2. Other Steel Fabrication:

2.1 Piping Fabrication: STP&I has outstanding expertise in piping fabrication which includes piping pre-fabrication, piping erection, and pipeline construction. Generally, the spoon fabrication is carried out in STP&I's facilities, then the completed products are transported to the project sites for installation. These pipes are essential parts in the production process of industrial plants such as power plants, oil refineries, petrochemical plants, offshore process plants, etc.

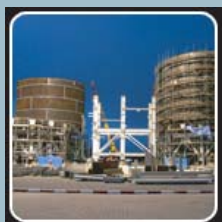
2.2 Pressure Vessel, Tank, and Heat Exchanger: STP&I designs, supplies, and fabricates a variety of pressure vessels for petrochemical process plant and power plant industries. The pressure vessel work includes drum, reactor, columns, splitter towers, stream drums, and separators by undertaking ASME certification. STP&I designs spherical tanks and large diameter storage tanks under various standards. These tanks are used for storing liquids or gas in refineries, and for production process in power plants and petrochemical plants.

ANNUAL REPORT 2005

* BUSINESS OVERVIEW

2.3 Boiler: STP&I's expertise in fabrication work allows us to offer a broad range of boiler production such as large industrial boiler, power stations, boiler structure and equipment, and complete HRSG plants. STP&I is licensed for fabrication package boiler, and fire tube package boilers under IHI trademark (Ishikawajima Harima heavy Industrial Company Limited from Japan).

2.4 Process Module: The combination of STP&I's skills in steel structure, piping, and vessel fabrication enables STP&I to produce value-add products such as the offshore process modules. These modules are installed offshore by mounting on barges or platforms. They are vital instruments in processing crude oil stabilization or gas separation.



STP&I places great importance in the high quality and standards of its products with stringent quality management complying with international standards. As such, STP&I has obtained quality certifications from numerous internationally accepted institutions which are: -

- ISO 9001 - International Organization of Standardization for Structural Steel Work and Piping Work.
- JSA Grade "H" - (Japan Steel Structure Appraisal Center Limited) for Structural Steel Work for export to Japan.
- ASME U, U2, S, R, PP - (American Society of Mechanical Engineers) for Pressure Vessel Work.

2548
ANNUAL REPORT 2005

* BUSINESS OVERVIEW



CORE BUSINESS OF SUBSIDIARIES

STIT Company Limited established in 1999 as a distribution and service agent for mechanical equipments used in the construction, and environmentally related industries. The Company is also being the sale representative and services agent for various products such as LIEBHERR tower cranes, PUTZMEISTER concrete pumps and Motor Machine, Dyna Jet Special high pressure cleaner from Germany, and ATLAS foldable cranes from Germany, IHI boiler from Japan, CompAir air-compressors from the UK, TERRA horizontal directional drilling from Switzerland, Scanclimber and Genie Industries - mast climbing platforms from Finland, and Genie Industries from the USA. STIT renders Slipform services, Engineering Services, rental and after - sales services as well.

Clough Sino-Thai Company Limited (CST) establish in 2004, jointly owned by Thailand STP&I Public Company Limited and Australia Clough Limited. The Company has the fabrication workshop at Sattahip Seaport, in Chonburi province. Main CST businesses are fabrication work, wellhead platform, jackets, processing platform, skid-mounted and modular process facilities for Oil & Gas Industry both onshore and offshore and other related industries such as mining, petrochemical, power plant, or infrastructure.

ANNUAL REPORT 2005

* SHAREHOLDERS

List of Top 10 Shareholders and Percentage of Shares holding as of April 7, 2005

Name / Group	Number of Shares	% of holding
1. Tomoe Corporation	17,842,100	7.14
2. Management		
- Mr. Chamni Janchai	11,500,000	4.60
- Mr. Choavalit Limpanich	10,000,000	4.00
- LT.JG. Kitti Junsangri	2,500,000	1.00
TOTAL	24,000,000	9.60
3. Best Quality Skills Company Limited	12,000,000	4.80
4. Equity Plus Company Limited	11,980,000	4.79
5. Mrs. Anilrat Nitisaroj	10,000,000	4.00
6. Mitsui (Thailand) Co., Ltd.	8,868,100	3.55
7. Mr. Wanchai Opas-iamkajon	4,000,000	1.60
8. UBS AG Singapore	3,982,400	1.59
9. Mr. Chavalit Kongsinchai	3,150,000	1.26
10. Ayudhya JF Taweessap Retirement Mutual Fund	3,070,000	1.23

Remarks : The Share Register Book as of April 7, 2005

Dividend Policy

Generally, the Company has the Dividend Policy of paying 30% of Net Profit after Tax to its shareholders. The dividend will be paid to its shareholders under the circumstance of no substantial effect on company financial performance. The Company decides not to pay any dividend if the Financial Performance shows the cumulative loss.

2548
ANNUAL REPORT 2005

Company Name	Business Type	Paid-up (Baht)	% of holding
Subsidiaries			
STIT Co., Ltd. 40 Moo 10, Bangna-Trad Km. 4.5 Bangna, Bangkok, Thailand Tel: +66 (0) 2393-7931-4 Fax: +66 (0) 2393-7930 Website : www.sino-thai.com	Sales and rental of construction, industrial and environmental equipments and engineering services.	50,000,000	100
Clough Sino-Thai Co., Ltd. 21/F, Unit 2106-7 River Wing West, Empire Tower, 195 South Sathorn Road, Yannawa, Bangkok 10120 Thailand Tel: +66 (0) 22659 5930 FAX: +66 (0) 22659 5931 Website: www.cloughsinothai.co.th	Steel Structure of Construction industry.	30,000,000	50
Affiliated Company			
Inter-IMC Pte Ltd. 35 Pioneer Road#01-01 Hong Hang Building Singapore 628503 Tel: +65 861 1280 FAX : +65 861 1720 Website : www.interimc.com.sg	Construction for piping erection, machine, and steel structure for industry.	SGD 500,000 (Registered Capital SGD 2,000,000)	46
Related Company			
Thai Maintenance Contracting Company Limited 4 Moo 6, Banchang, Banchang Rayong, Thailand Tel: +66 (0) 38 882 490-2 FAX: +66 (0) 38 882 493 Website : www.thaimaint.com	Maintenance services for Petrochemical factory, Refinery Plant, Public Utility System, and general industries.	12,315,000	19

* REVENUE STRUCTURE

(Unit: Million Baht)

Revenues	Operated by	% Holding	2005		2004		2003	
			Amount	%	Amount	%	Amount	%
1. Structural Steel Fabrication	STP&I/CST	50	1,942.35	73.12	552.07	66.36	668.57	66.05
2. Other Steel Fabrication	STP&I	-	405.65	15.32	99.16	11.92	155.09	15.32
3. Sales and Rental of Construction Equipments	STP&I / STIT/CST	100/50	307.00	11.56	180.73	21.72	188.59	18.63
Total			2,655.00	100.00	831.96	100.00	1,012.25	100.00

Remarks: Other Fabrication is includes Piping, Pressure Vessel, Tank, Boiler and Process Module.

2548
ANNUAL REPORT 2005

* INDUSTRY AND COMPETITION

In Year 2006, World Economy is expecting to show the increase of 4.4% compared to 4.5% of Year 2005. The economic growth in Japan and Europe has risen in the faster pace while USA and China tended to slow down. The negative factor affected on the economic growth is the increase of oil price. While the demand was up, the oil production capacity tends to remain no change.

In Year 2005, Thai economy has grown 4.5% and expected to grow at the same rate of 4.4 - 4.5% in Year 2006. Private Sector Investment grew 72.6%, increased from 70.4% in Year 2004 especially in Petroleum, Chemicals, Electronics, and Automotive Industry. The projected investment of Government Sector in mega-projects valued Baht 2,000,000 million from Year 2005 - 2009 also boosts the growth in Construction Industry. Similar to World economy, increase of oil price has affected directly on Thai economy. The political stability had also shown the major role on investor's decision making.

The investment of public and private sectors in infrastructure in Thailand has expanded significantly such as construction of bridges, elevated highways, power plants, refinery plants, petrochemical plants, onshore and offshore oil & gas structural steel platforms, process equipment and system modules.

(Reference: Economic Outlook, Year 2005 - 4th Quarter of Thai Economy, National Economic and Social Development Board)

With the growth of the construction industry in the recent years, steel structure became the best of choice as it allowed for a substantial reduction in time, labour cost, and pollution. Nowadays structural steel has been a preferred material of choice in all kinds of construction.

The records of steel usage in Thailand have indicated the consistent increase since Year 1999. The consumption in Thailand in Year 2005 was 13.8 million tonnes, increased by 10% from Year 2004.

(Reference: Thailand and ASEAN Steel Industry, Iron and Steel Institute of Thailand)

Competition

With the production capacity of 40,000 - 50,000 tonnes a year, STP&I is considered one of the largest steel fabricators in Thailand. STP&I has adopted Quality Management Program in accordance with the International Organization for Standardization System Level ISO 9001-2000, JSA Grade "H", and ASME U, U2, S, R, PP to ensure quality control and customer satisfaction. Besides, STP&I continuously monitor and adapt its people strategies to ensure that they are robust as conditions change. The human resources development program has been adopted and classified into 3 levels.

Management Level : The development focused on high level management skills and management vision coupled with leadership skills.

Supervisory Level : The development geared towards basic management and leadership skills, teamwork/team building, efficient communication skills, and work-related knowledge.

ANNUAL REPORT 2005

* INDUSTRY AND COMPETITION

Staff Level : The development focused on work-related skills and knowledge, consistent self improvement and positive attitude towards management and organization.

To create competitive advantage and new opportunities in the industry, STP&I penetrated the market of high value-added products such as Process Module and Offshore Platform to generate higher revenues.

STP&I has completed various projects as planned and the new technology is always brought into its manufacturing process in order to enhance the quality of work. The works assigned, as a result, are always completed on time and meet the requirements of customers. With such performances, it has strengthened STP&I reputation in the market both locally and internationally.

The privileges granted by Board of Investment of Thailand (BOI) since 2001 for corporate tax exemption coupled with import tax and VAT exemption creates competitive advantage for STP&I as well.

2548
ANNUAL REPORT 2005

* RISK FACTORS

1. Operation Risks

Marketing :

Though overall market tended to improve in accordance with Thai economy recovery with more investment from Government and private sectors in infrastructure projects, STP&I had a set back due to a limited customer base, mostly repeat customers. As preventive measures against risks, business alliances between STP&I and large construction companies have been formed in order to strengthen our business position and expand our customer base.

Cycle of quotation preparation consumed too much time due to our customized products to meet each client requirements. Marketing and Estimation team has also been formed in order to cope with this problem.

Manufacturing :

STP&I offers a full range of custom steel fabrication services-cutting, drilling, welding, and painting/coating to all sectors of industry and government in a timely and cost effective manner. If there is any change occurred in our production process due to the change of client requirements, our production cost will be escalated which will significantly affect the Company Performance.

To address the possible problems and prevent the risks, the Company has arranged the Engineer Meetings on monthly basis for exchanging information and experiences on running each project.

Raw Materials :

Currently the majority of the raw materials used by STP&I has been imported from abroad. There is an inherent risk of cost escalation as a result of World Market Price fluctuations and the uncertain delivery times associated with importation procedures. This situation cannot be compensated by utilisation of locally stocked imports, as the small number of Thailand suppliers who is willing to negotiate and extend volume or other incentive discount. The Company attempts to mitigate these risks by using raw materials provided by customers.

Workforce :

During the past year, the demand of skilled workforce has arisen coupled with the demand of experienced engineers. This resulted in a high employment turnover and shortfall in availability of qualified, skilled workers in the Company. In order to retain our workforce, STP&I has implemented human resources development program to its employee.

ANNUAL REPORT 2005

* RISK FACTORS

2. Financial Risks :

Foreign Exchange Rate :

Export operations always carry a certain amount of Foreign Exchange Rate as a result of dealing with multiple currencies. Since STP&I earns revenue in foreign currency, a foreign currency account is maintained, and to be used for raw material and equipment purchases. During the fluctuations of Exchange Rate, STP&I also imported raw materials under Forward Exchange Contracts to reduce such risks.

3. Lawsuit:

During Year 2005, the Company has sued an overseas company (Counterpart). Such case has been heard by the court. The Company's Management and the Company's Legal Consultant are unable to predict the outcome of the case.

Remarks: Details in section "Notes to Financial Statements No. 24".

2548
ANNUAL REPORT 2005

* MANAGEMENT STRUCTURE

There are 3 groups in the Company Management Structure :

1. Board of Directors
2. Audit Committee
3. Management Executive

1. Board of Directors

The Board of Directors is responsible for the following issues :

- To certify the Company's policies and business plan;
- To approve the changes of accounting policy and consider financial statements quarterly and yearly;
- To supervise the Management Executive to manage efficiently along with the Company 's policies;
- To supervise the Company to have a good internal audit and internal control system
- To ensure the Company's compliance to the requirements and related laws;
- To prevent the conflicts of interests;
- To perform any act, which required by the Company's Board of Directors and SET.

Every year One-third of total number of directors has to be re-elected at the Annual General Meeting of Shareholders. The retired Directors can also be re-elected at the Meeting.

2. Audit Committee

Established on April 9,1999, the Audit Committee meets at least four times a year. The functions and duties of Audit Committee can be summarized as follow:

- To ensure that the Company's financial reports are adequate, reliable, transparent and well prepared in compliance with the accounting standard;
- To ensure that the Company has an appropriate and effective internal control;
- To select and nominate the Company's auditor;
- To ensure the Company's compliance to the requirements and related law;
- To prevent the conflicts of interests;
- To performed any act, which required by the Company's Board of Directors; and
- To prepare the report on good corporate governance of the Audit Committee in the Company's annual report.

3. Management Executive

The Management Executive is responsible for overseeing the Company's financial performance and all aspects of business operations before submitting these issues for final approval from the Board of Directors.

Managing Director

Managing Director is responsible for supervising the management operations in accordance with the Company's policies. Conducting and approving any issues related to Company's general administration, regulations or laws needs to be approved by the Board of Directors in the Shareholders' Meeting. The Managing Director must not engage in any related transactions among Managing Director, related persons, and related companies.

All Company documents have to be duly signed by the Company Authorisation, either by Mr. Chavarat Charnvirakul, Chairman or Mr. Masthawin Charnvirakul, Director and Managing Director.

ANNUAL REPORT 2005

* POLICY ON GOOD CORPORATE GORVENANCE

Good Corporate Governance (Principal 1)

The Board of Directors recognizes the importance of good corporate governance that sustains company's operations growth, supervising the executives to have an efficient business management along with good corporate governance policies and to have an appropriate ways of risk management for the benefits of the shareholders. The Board of Directors has evaluated the adequacy of internal control system every year since year 2003. The Board of Directors acts accordingly to the laws, regulations and business ethics.

Shareholders: Shareholder's Rights (Principal 2)

In 2005, STP&I held the Annual General Meeting of Shareholders No. 10/2005 which STP&I has distributed the meeting notification and related agenda together with the Board of Director's recommendation to the shareholders 12 days prior to the meeting. Also the Company has assigned the independent director to be an authorized proxy for any shareholder who cannot attend the meeting.

Stakeholders' Rights (Principal 3)

The Company strongly believes in the rights of all stakeholders. All parties and employees must be treated equally, fairly, and in accordance with the regulations and related laws. STP&I also gives the priority to safety and quality issues to ensure our products meet the customer's specifications. The competition will be handled in accordance with business ethics. The Company also assures the good environment to the adjacent communities.

Shareholder's Meeting (Principal 4)

In 2005, STP&I held the Annual General Meeting of Shareholders No. 10/2005 on April 28, 2005. The agenda included the Company's operations, non-issue of dividend payment, the appointment of new directors, the appointment of the Company's auditor, the auditor's remuneration, and the remuneration of Directors and Audit Committee.

The Audit Committee and a quorum of the Board of Directors attended the Annual General Meeting of Shareholders No. 10/2005. The Chairman of meeting encouraged shareholders to express their opinions and raise any questions during the meeting according to the agenda and the issues presented to the meeting.

Leadership and Vision (Principal 5)

The Board of Directors approves all Company's policies, business plan, and also gives the priority to the internal control system and internal auditing. The authorities and duties of the Directors, the Audit Committee, and the Management Executive are clearly defined as mentioned earlier.

ANNUAL REPORT 2005

* POLICY ON GOOD CORPORATE GORVENANCE

Conflict of Interests (Principal 6)

The Board of Directors has provided the policies and procedures preventing the executives and concerned parties from exploiting internal information. The Directors and Executive Directors should strictly follow the notifications and conditions of the Stock Exchange of Thailand on price stipulation as if contacting with the external, and inform all executives of their responsibilities to accurately report on the activities of the Company's stock and the notifications of the Stock Exchange of Thailand.

Business Ethics (Principal 7)

Business Ethics have been written and used as Code of Conduct for everyone in the Company to ensure the appropriate business manners and performance.

Balance of Power Aggregation or Segregation of Position (Principal 8-9)

The Board of Directors consist of 8 directors - 2 executive directors, 1 shareholder representative director, and 5 independent directors. The proportion of independent directors is about one-third of the total number of directors. Position of the Chairman is from independent director.

Nominated Directors and Management (Principal 10)

The remuneration of the Board of Directors has been defined in accordance with SET regulations and required the approval from the Shareholders' Meeting. The appropriate remuneration has been offered according to each director's qualifications and responsibilities.

The Board of Directors' Remuneration:

Name	Meeting Compensation (Baht)		Remuneration (Baht)		Total
	Board of Director 2005	Audit Committee 2005	Board of Director 2005	Audit Committee 2005	
1. Mr. Chavarat Charnvirakul	40,000.00	-	60,000.00	-	100,000.00
2. Dr. Chira Hongladarom	10,000.00	-	30,000.00	-	40,000.00
3. Dr. Wicha Jiwalai	20,000.00	40,000.00	-	42,000.00	102,000.00
4. Pol. Maj. Gen. Jate Mongkolhuthi	20,000.00	15,000.00	-	36,000.00	71,000.00
5. Mr. Dol Watanasri	20,000.00	15,000.00	-	36,000.00	71,000.00
6. Mr. Chamni Janchai	20,000.00	-	30,000.00	-	50,000.00
7. Mr. Yasunori Osada	5,000.00	-	30,000.00	-	35,000.00
8. Mr. Masthawin Charnvirakul	20,000.00	-	30,000.00	-	50,000.00
Total of Director Payment	155,000.00		180,000.00		335,000.00
Total Amount of Audit Committee Payment		70,000.00		114,000.00	184,000.00
Total Amount of Board of Director Payment					519,000.00

ANNUAL REPORT 2005

* POLICY ON GOOD CORPORATE GORVENANCE

In 2005, Payment of the Managerial Directors and the Executives composed of salary and bonus of Baht 7,538,100.

Type of Payment	Baht
Salary	7,091,600
Bonus	446,500
Total	7,538,100
Provident Fund	172,290

Board of Directors' Meeting (Principal 11)

There were 4 Board of Directors' Meetings held in Year 2005. The attendance of the directors was exceeding 80% of total number of directors in each meeting.

The Secretary of Board of Directors is responsible for the notifications of the meeting and distributes all related documents to directors at least 7 days prior to the meeting. The important issues are Company's performance report of every quarter, the certification of the executive's operations, the Audit Committee's reports and recommendations, These issues will be useful for the Management Executive to increase management efficiency.

Board of Sub-Committee (Principal 12)

The Board of Sub-Committee appointed Audit Committee and Management Executive to assist in monitoring the company operations. The duties and responsibilities have been defined clearly as per the management structure.

Internal Control System and Internal Audit (Principal 13)

Internal auditors are responsible for financial activities along with the Company's compliance to the SET requirements and related laws. The result of the Company's operations will be directly reported to Audit Committee and the Board of Directors.

ANNUAL REPORT 2005

* POLICY ON GOOD CORPORATE GORVENANCE

Report of Board of Director (Principal 14)

The Board of Director Report on the Company's Financial Performance has been issued. The report clearly stated the integrity, correctness, completeness and book keeping of financial data has been generally accepted by accounting standards.

Relations with Investors (Principal 15)

The Company has set up an investor relations unit to provide the Company's information such as financial issues and general information. The management ensures that the Company discloses important information correctly, completely and transparently. For more information please call 0-2260-1181 Ext. 231 or E-mail us at ir@stpi.co.th

Internal Information Control

In accordance with the Corporate Ethics, the management executives had to disclose reports to SET on each person's securities holding and the holdings under Securities & Exchange Act B.E. 2535 Section 59.

The punishment on unethical information disclosure has been stated clearly in Corporate Rules and Regulations Handbook.

2548
ANNUAL REPORT 2005

* RELATED PARTIES TRANSACTIONS

Connected Transaction

Subsidiaries, Affiliated and Related Companies

Subsidiaries and affiliated companies where STP&I is a shareholder of more than 10% while related companies are STP&I shareholders or have common management executive.

Subsidiaries and Affiliated Companies

Name	Type of Business	Relationship	Paid-Up (Baht)	% of Holding	Investment (Cost Price) (Baht)
STIT Company Limited	Sales and rental of construction, industrial and environmental equipment, and engineering services	Shareholder, Common Directors	50,000,000	100	50,000,000
Clough Sino-Thai Company Limited	Steel Structure for construction industry	Shareholder, Common Directors	15,000,000	50	15,000,000
Inter-IMC Pte Ltd. Singapore	Construction	Shareholder, Common Directors	SGD 500,000	46	SGD 500,000

Related Companies

Name	Type of Business	Relationship	Paid-Up Capital (Baht)	% of Holding
Sino-Thai Engineering and Construction Public Company Limited	Construction	Shareholder, Common Directors	1,008,168,350	1.01
Thai Maintenance Contracting Company Limited	Industrial plant and factory maintenance	Shareholder, Common Directors	12,315,000	-
Tomoe Corporation Limited	Manufacturer of steel products for construction	Shareholder	3,000 M.YEN	7.14
Mitsui & Co. (Thailand) Limited	Steel trader	Shareholder	1,500,000,000	3.55
Tomoe Company Limited (Thailand)	Construction	-	2,000,000	-
Mitsui & Co., Limited	Trading Firm	-	192,487 M.YEN	-

ANNUAL REPORT 2005

* RELATED PARTIES TRANSACTIONS

Related Party Transactions as of December 31, 2005

(Unit: Million Baht)

Name	Transaction			
	Revenue Type	Amount	Expense Type	Amount
Sino-Thai Group				
1. Sino-Thai Engineering and Construction Public Company Limited	Fabrication Others	7.7 -	Fabrication Cost Others	0.5 0.4
Total		7.7		0.9
Tomoe Group				
1. Tomoe Corporation Limited (Japan)	None	-	None	-
2 Tomoe Company Limited (Thailand)	None	-	None	-
Total		-		-
Mitsui Group				
1. Mitsui & Co. (Thailand) Limited	None	-	None	-
2. Mitsui & Corporation (Japan)	None	-	None	-
Total		-		-
Subsidiaries				
- STIT Company Limited	Fabrication Sales and Services	- 12.3	Fabrication Cost	0.5
Total		12.3		0.5
- Clough Sino-Thai Company Limited	Fabrication Sales and Services	774.4 54.0	Fabrication Cost	1.4
Total		828.4		-
Affiliated Company				
- Inter - IMC Pte Ltd	Sales and Services Others	5.2 7.4		
Total		12.6		-
Other Companies				
- Thai Maintenance Contracting Company Limited	None	-	Fabrication Cost	47.2
Total		-		47.2

Note :

(1) Mitsui Group of Companies:
1. Mitsui & Co. (Thailand) Limited
2. Mitsui & Corporation (Japan)

(2) Tomoe Group of Companies:
1. Tomoe Company Limited (Thailand)
2. Tomoe Corporation Limited (Japan)

ANNUAL REPORT

* RELATED PARTIES TRANSACTIONS

For further information pertaining to the connected transactions between STP&I and its subsidiaries, affiliated and related companies, the disclosures are shown in Notes to Financial Statements No. 2, 6 and 8.

Matters to Consider Regarding Connected Transactions

Transactions between the Company, and subsidiaries, or affiliated / related companies are undertaken at market prices and were not involved beyond the normal risk of non-payment or present other unfavorable features.

Approval of Connected Transactions

Internal control has been set up to standardize business transactions with all customers and suppliers to ensure fair and efficient practice.

Connected transactions between the Company and subsidiaries/affiliated & related company were treated the similar process as ordinary customers or suppliers.

Connected Transactions Policy

Related transactions are made in the ordinary course of STP&I's business terms and conditions. Pricing of connected transactions are based on market price and consideration of quality, price and highest yield.

2548
ANNUAL REPORT

* MANAGEMENT DISCUSSION AND ANALYSIS

The Auditor's Opinion

The auditor gave his opinion on the Financial Statements of the Company and its subsidiaries as at December 31, 2005 and 2004 on its accuracy and compliance with General Accepted Accounting Policy.

Financial Performance

The Company posted a Net Profit of Baht 146.85 million in 2005, increased by 398.41% compared to 2004's net loss of Baht 49.21 million. In fiscal Year 2005, the Company shows positive financial performance due to the following factors :

• Revenues from Fabrication Works, Sales and Services

Revenues from fabrication works, Sales and Services were 2,655 million, increased by 219.19%

from a new export project which the Company and a subsidiary were awarded during the 4th quarter of 2004 and has been recognized as our revenues during this year.

The Company had other revenues from the subsidiary contribution fees of approximately Baht 43.6 million. Such transaction has been stated on the relevant contract between the Company and the subsidiary and shareholders.

• Gross Profit

The gross profit from fabrication works, sales, and services of the Company in 2005 were Baht 221.88 million, increased by 4,244% compared to gross profit of Baht 5.11 million in 2004. The increase of gross profit was result of awarded project which yielded high profit margin.

• Selling & Administrative Expenses

The Company's Selling & Administrative Expenses in 2005 were Baht 84.26 million, increased by 12% compared to Baht 75.10 million in 2004. This resulted from the increase of revenues during the year. The increase ratio in selling and administrative expenses was less than that of increase in revenues due to the efficiency of expense control.

• Other Items

Other revenues of the Company was mainly from services and scrap sales.

ANNUAL REPORT 2005

* MANAGEMENT DISCUSSION AND ANALYSIS

• Net profit

The Company had net profit of Baht 146.85 million, whereas corporate income tax was only Baht 5.5 million. This is because the Company had cumulative loss coupled with the BOI privileges granted to the Company and its subsidiaries.

Balance Sheet and Cash Flow Analysis

• Assets

As of December 31, 2005, the Company had total assets of Baht 1,545.49 million, increased by 57.33 % from Baht 982.52 million in 2004. The increase of assets was mainly from the increase in account receivables and input VAT refundable which increased in the same portion of revenues.

• Liabilities

The total liabilities of the Company and its subsidiaries in 2005 were Baht 946.48 million, increased by 78.49% from Baht 530.98 million in 2004. This was because the increase of cost of subcontractor and manufacturing overheads of the new projects. This resulted in increase in our account payables which were Baht 194.32 million in 2004 to Baht 417.63 million in 2005 and increase in unbilled payables – cost of construction from Baht 30.64 in 2004 to Baht 212.12 million in 2005.

• Shareholders' Equity

As of December 31, 2005, the Company had shareholders' equity of Baht 599.01 million, which was 32.66% higher than the same period in 2004 of Baht 451.54 million. According to net profit of Baht 146.85 in year 2005, the profit was effected to increasing in shareholders' equity and resulted in remaining deficit of Baht 19.21 million.

• Cash flow

In 2005, the net cash flow increased by Baht 21.75 million, which was from net cash received from operating transactions of Baht 59.92 million, net cash used on investment of Baht 29.27 million, and net cash used for financial activities of Baht 8.9 million.

ANNUAL REPORT 2005

* MANAGEMENT DISCUSSION AND ANALYSIS

Financial Ratio

In 2005, the Company showed a profit performance. The Company posted gross profit margin from fabrication, sales, and services of 8.36%, net profit margin of 5.47% and return on equity of 27.96%.

The liquidity of Company as shown in current ratio and quick ratio has been increased from last year because of the improvement in the operations. Moreover, the Company still concentrates on account receivables and account payables management by continually decreasing the collection period and payable period from 92 days and 72 days in 2004 to 58 days and 45 days in 2005, respectively.

In summary, during 2005, the Company and its subsidiaries recognized the revenues from the projects which gained higher profit margin, as well as utilized its full production capacity and controlled its overheads effectively. This resulted in the improvement of gross profit margin and the Company's performance.

Impact on Operations and Financial Results

The Company's business is directly related to construction industry. The recovery of construction sectors both in public and private sectors will affect the Company performance positively. The Company has also developed its resources to keep up with the expansion in both domestic and world market.

Factors that may negatively affect the Company's performance including fluctuations of foreign exchange rate and increasing of raw material price which has already mentioned in risk factors section.

This included risk from the project which pricing structure is on cost plus margin basis.

2548
ANNUAL REPORT 2005

* BOARD of DIRECTOR's REPORT

The responsibility of the Board of Directors is to ensure the accuracy and completeness of financial statements and other information disclosed in the annual report. The financial statements were properly prepared in accordance with generally accepted accounting standards in Thailand. Appropriate accounting policies were selected and applied consistently and were accompanied by careful judgment. In addition, an efficient internal control system has been implemented and maintained in order to give reasonable assurance as to the reliability of the financial statements. Moreover, connected transactions, which could potentially have involved a conflict of interest, were carried out as real trading transactions using reasonable and normal business practice in compliance with good corporate governance.

The Board of Directors has nominated independent directors to be a member of the Audit Committee who is responsible for ensuring that our financial reports contained herein are appropriated accounting policies and completed financial statements. And also, the Audit Committee assesses the internal control and internal auditing. Their opinions are already stated in the report of the Audit Committee, which is included in this annual report.

The Board of Directors' Meeting No. 4/2005 held on December 7, 2005 resolved that the company's internal control is satisfied. Our financial report as of December 31, 2005 had been complies with generally accepted accounting standards, laws and related regulations.

2548
ANNUAL REPORT 2005

* AUDIT COMMITTEE'S REPORT

The Audit Committee is made up of 3 independent directors. In 2005, there were 4 Audit Committee meetings which included an attending of external auditor. And also, the Audit Committee had the meetings with internal auditor and management as deemed appropriate and according to related agenda. In performing their duties, the Audit Committee's actions can be summarized as follows:

The Audit Committee has reviewed the company's quarterly and annually financial statements of the Company and its subsidiaries as to its fair presentation and adequate disclosures in accordance with rules and regulations stipulated by the Stock Exchange of Thailand, and with Thai accounting standards. As well, the committee has reviewed the legal cases, all of which had occurred in the ordinary business engagement.

As for internal control, the Audit Committee has considered that the Company has adequate internal control. This included review annual plan for internal audit, advised improvement of internal audit's work and the corporate management to be more effectively. The Audit Committee is also responsible for reviewing the Company's operations to comply with laws and related regulations.

The Audit Committee proposed the Board of Directors seek the shareholders' meeting approval to appoint the certified public accountants on behalf of Ernst & Young Office Limited to be the Company's independent auditor for the fiscal year 2005, as well as recommending their fees.



Dr. Wicha Jiwalai
Chairman of the Audit Committee

2548
ANNUAL REPORT 2005

* FINANCIAL STATEMENTS

STP&I PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES REPORT AND FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Report of Independent Auditor
To the Board of Directors and Shareholders of
STP&I Public Company Limited

I have audited the accompanying consolidated balance sheets of STP&I Public Company Limited and its subsidiaries as at December 31, 2005, and 2004 and the related consolidated statements of earnings, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of STP&I Public Company Limited for the same periods. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the 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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of STP&I Public Company Limited and its subsidiaries and of STP&I Public Company Limited as at December 31, 2005 and 2004, and the results of their operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.

Ernst & Young Office Limited
Bangkok: February 25, 2006


Supachai Phanyawattano
Certified Public Accountant
(Thailand) No. 3930

ANNUAL REPORT 2005

FINANCIAL STATEMENTS

STP&I PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES BALANCE SHEETS AS AT 31 DECEMBER 2005 AND 2004 (Unit : Baht)

Note	Consolidated		The Company Only	
	2005	2004	2005	2004
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	59,674,496	37,924,271	3,011,227	3,642,400
Current investments	4 11,557,251	41,256,951	11,557,251	41,256,951
Trade accounts receivable	5			
Related parties	6 102,640,362	29,393,227	191,665,373	23,450,434
Unrelated parties	551,713,252	173,968,093	140,443,151	151,896,013
Less : Allowance for doubtful accounts	(105,527,384)	(101,167,104)	(101,626,781)	(97,266,502)
Trade accounts receivable - net	548,826,230	102,194,216	230,481,743	78,079,945
Unbilled receivables				
Related parties	6 34,403,850	-	68,807,699	-
Unrelated parties	162,639,902	171,297,741	116,584,933	171,297,741
Total unbilled receivables	197,043,752	171,297,741	185,392,632	171,297,741
Retention receivables from construction contracts				
Related parties	6 982,944	8,391,439	883,858	8,391,439
Unrelated parties	36,149,597	9,962,065	34,488,359	9,962,065
Total retention receivables from construction contracts	37,132,541	18,353,504	35,372,217	18,353,504
Advances and loans				
Related parties	6 54,837	341,679	8,124,859	5,483,824
Unrelated parties	7,743,813	-	-	-
Total advances and loans	7,798,650	341,679	8,124,859	5,483,824
Inventories - net	7 39,787,136	44,298,283	15,104,251	16,712,380
Refundable value added tax	56,245,585	4,441,679	4,800,911	3,767,604
Advances payment for construction contracts	5,997,687	-	5,972,397	-
Other current assets	30,860,497	13,543,602	13,930,874	10,822,333
TOTAL CURRENT ASSETS	994,923,825	433,651,926	513,748,362	349,416,682
NON-CURRENT ASSETS				
Restricted bank deposits	22.1 17,178,890	15,527,156	13,193,539	13,968,487
Investments accounted for under equity method	8 19,080,222	17,137,503	220,498,127	90,781,625
Other long-term investment	2,339,850	2,339,850	2,339,850	2,339,850
Leasehold right	6,376,210	10,117,876	-	-
Property, plant and equipment - net	9, 22.1 496,607,057	483,974,925	442,968,981	450,078,200
Withholding tax deducted at source	4,789,947	13,125,307	4,788,037	13,125,307
Other non-current assets	4,191,319	6,649,322	3,171,414	6,537,666
TOTAL NON-CURRENT ASSETS	550,563,495	548,871,939	686,959,948	576,831,135
TOTAL ASSETS	1,545,487,320	982,523,865	1,200,708,310	926,247,817

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

ANNUAL REPORT 2005

* FINANCIAL STATEMENTS

STP&I PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES BALANCE SHEETS (Continued) AS AT 31 DECEMBER 2005 AND 2004 (Unit : Baht)

Note	Consolidated		The Company Only		
	2005	2004	2005	2004	
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank overdrafts	10	43,434,658	14,500,955	43,434,658	14,500,955
Trade accounts payable					
Related parties	6	26,294,724	8,918,297	2,240,764	8,304,062
Unrelated parties		391,331,907	185,399,172	222,301,678	157,040,539
Total trade accounts payable		417,626,631	194,317,469	224,542,442	165,344,601
Short-term loans and advance received from related parties	6	22,350,960	1,752,867	32,350,960	-
Current portion of hire purchase creditors		2,333,997	2,560,537	1,430,347	2,560,537
Current portion of liabilities under finance lease agreements	11	4,103,602	-	3,581,176	-
Current portion of long-term loans	10	19,140,000	25,844,000	19,140,000	25,844,000
Current portion of debentures	12	25,000,000	25,000,000	25,000,000	25,000,000
Advances received from construction contracts					
Related parties	6	5,655,258	-	11,310,516	-
Unrelated parties		60,589,782	91,029,593	25,932,376	68,542,751
Total advances received from construction contracts		66,245,040	91,029,593	37,242,892	68,542,751
Unbilled payable - cost of construction		212,119,610	30,644,887	104,437,339	30,644,887
Value added tax payable		25,208,256	12,181,192	24,754,827	11,719,419
Other current liabilities		22,545,513	11,772,865	3,534,802	9,171,167
TOTAL CURRENT LIABILITIES		860,108,267	409,604,365	519,449,443	353,328,317
NON-CURRENT LIABILITIES					
Hire purchase creditors - net of current portion		1,511,726	2,239,914	520,056	2,239,914
Liabilities under finance lease agreements - net of current portion	11	9,859,945	-	6,731,429	-
Long-term loans - net of current portion	10	25,000,000	44,140,000	25,000,000	44,140,000
Debentures - net of current portion	12	50,000,000	75,000,000	50,000,000	75,000,000
TOTAL NON - CURRENT LIABILITIES		86,371,671	121,379,914	82,251,485	121,379,914
TOTAL LIABILITIES		946,479,938	530,984,279	601,700,928	474,708,231

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

ANNUAL REPORT 2005

* FINANCIAL STATEMENTS

STP&I PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES BALANCE SHEETS (Continued) AS AT 31 DECEMBER 2005 AND 2004 (Unit : Baht)

Note	Consolidated		The Company Only	
	2005	2004	2005	2004
SHAREHOLDERS' EQUITY				
Share capital				
Registered, issued and fully paid				
	250,000,000	250,000,000	250,000,000	250,000,000
250,000,000 ordinary shares of Baht 1 each				
Premium on ordinary shares	360,000,000	360,000,000	360,000,000	360,000,000
Translation adjustments	574,686	-38,691	574,686	-38,691
Retained earnings (deficit)				
Appropriated - statutory reserve	7,639,186	7,639,186	7,639,186	7,639,186
Deficit	-19,206,490	-166,060,909	-19,206,490	-166,060,909
TOTAL SHAREHOLDERS' EQUITY	599,007,382	451,539,586	599,007,382	451,539,586
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,545,487,320	982,523,865	1,200,708,310	926,247,817
	0	0	0	0

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

2548
ANNUAL REPORT 2005

* FINANCIAL STATEMENTS

STP&I PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES EARNINGS STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004 (Unit : Baht)

	Note	Consolidated		The Company Only	
		2005	2004	2005	2004
REVENUES					
Revenues from fabrication work		2,348,553,030	651,229,059	1,368,425,157	651,229,059
Sales and services	6	306,998,917	180,735,908	78,522,963	26,376,192
Others income					
Gain on foreign exchange		-	738,754	-	1,121,417
Reversal of allowance for doubtful debt	5	-	4,666,557	-	4,666,557
Others		26,799,615	25,967,988	25,882,884	25,810,725
Share of profit from investments accounted for under equity method		1,329,314	3,448,940	139,108,099	2,280,686
TOTAL REVENUES		2,683,680,876	866,787,206	1,611,939,103	711,484,636
EXPENSES					
Cost of fabrication work		2,212,770,537	699,774,342	1,393,463,451	700,184,162
Cost of sales and services		220,905,790	127,084,137	17,526,441	10,402,469
Selling and administrative expenses		84,255,770	75,058,982	41,314,026	39,358,546
Directors' remuneration	14	519,000	1,025,000	519,000	1,025,000
Loss on foreign exchange		2,490,686	-	2,019,377	-
TOTAL EXPENSES		2,520,941,783	902,942,461	1,454,842,295	750,970,177
EARNINGS (LOSS) BEFORE INTEREST EXPENSES AND INCOME TAX					
INTEREST EXPENSES		(10,388,442)	(9,938,071)	(10,242,389)	(9,719,583)
CORPORATE INCOME TAX	15	(5,496,232)	(3,111,798)	-	-
NET EARNINGS (LOSS) FOR THE YEAR		146,854,419	(49,205,124)	146,854,419	(49,205,124)
BASIC EARNINGS PER SHARE					
NET EARNINGS (LOSS)		0.59	-0.20	0.59	-0.20

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

ANNUAL REPORT 2005

* FINANCIAL STATEMENTS

STP&I PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004 (Unit : Baht)

CONSOLIDATED / THE COMPANY ONLY

	Issued and paid-up share capital	Premium on ordinary shares	Translation adjustments	Retained earnings (Deficit)		Total
				Appropriated - statutory reserve	Deficit	
Balance as at 31 December 2003	250,000,000	360,000,000	(365,882)	7,639,186	(116,855,785)	500,417,519
Net loss for the year	-	-	-	-	(49,205,124)	(49,205,124)
Translation adjustments	-	-	327,191	-	-	327,191
Balance as at 31 December 2004	250,000,000	360,000,000	(38,691)	7,639,186	(166,060,909)	451,539,586
Net earnings for the year	-	-	-	-	146,854,419	146,854,419
Translation adjustments	-	-	613,377	-	-	613,377
Balance as at 31 December 2005	<u>250,000,000</u>	<u>360,000,000</u>	<u>574,686</u>	<u>7,639,186</u>	<u>(19,206,490)</u>	<u>599,007,382</u>

0

The accompanying notes are an integral part of the financial statements

2548 ANNUAL REPORT 2005

* FINANCIAL STATEMENTS

STP&I PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004
(Unit : Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Net earnings (loss)	146,854,419	(49,205,124)	146,854,419	(49,205,124)
Adjustments to reconcile net earnings (loss) to net cash from (used in) operating activities :-				
Share of profit from investments accounted for under equity method	(1,329,314)	(3,448,940)	(139,108,099)	(2,280,686)
Allowance for doubtful debt (reversal)	5,636,830	(4,666,557)	5,636,830	(4,666,557)
Provision for impairment of assets	-	4,226,108	-	4,226,108
Allowance for devaluation of inventories	3,079,582	-	2,399,440	-
Unrealised gain on valuation of current investments	(300,300)	-	(300,300)	-
Unrealised loss (gain) on foreign exchange	3,635,793	(2,031,049)	1,814,018	(50,462)
Gain on disposal of fixed assets	(947,565)	(1,663,202)	(451,797)	(1,519,766)
Depreciation and amortisation	60,611,378	49,373,965	46,448,585	42,532,123
	217,240,823	(7,414,799)	63,293,096	(10,964,364)
Decrease (Increase) in operating assets				
Trade accounts receivable and unbilled receivables	(480,033,112)	(60,429,229)	(172,190,065)	(63,487,968)
Inventories	1,431,565	(11,276,982)	(791,311)	(3,037,255)
Retention receivables from construction contracts	(18,526,288)	1,245,776	(16,761,764)	1,245,776
Other current assets	(74,280,015)	7,924,696	(10,114,245)	9,275,402
Other assets	10,793,363	6,999,096	11,703,524	7,000,474
Increase (decrease) in operating liabilities				
Trade accounts payable	223,409,520	58,736,339	59,197,676	55,510,309
Advance received from construction contracts	(25,390,645)	2,050,739	(32,015,452)	(15,729,601)
Unbilled payable - cost of construction	181,474,724	26,678,559	73,792,454	26,678,560
Other current liabilities	23,799,710	(509,170)	7,399,042	4,060,292
Net cash from (used in) operating activities	59,919,645	24,005,025	(16,487,045)	10,551,626

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

ANNUAL REPORT 2005

* FINANCIAL STATEMENT

STP&I PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES STATEMENTS OF CASH FLOWS (Continued) FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004 (Unit : Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Decrease (increase) in restricted bank deposits	-1,716,324	6,569,305	776,244	3,911,282
Decrease (increase) in advance to related parties	286,842	69,767	-2,641,035	-5,072,379
Increase in advance to unrelated parties	-7,743,813	-	-	-
Short-term loans and advance received from related parties	19,298,133	1,752,867	31,051,000	-
Cash paid for investment in subsidiaries	-	-	-	-15,000,000
Cash received from closed subsidiary	-	959,286	-	959,286
Acquisition of current investments	-	-40,000,000	-	-40,000,000
Cash received from sales of current investments	30,000,000	79,332,861	30,000,000	79,332,861
Dividend received from subsidiary	-	-	10,004,973	-
Proceeds from disposal of equipment	6,172,274	2,442,662	5,482,975	2,259,557
Decrease (increase) in leasehold right	3,741,666	-11,225,000	-	-
Acquisition of equipment	-79,306,720	-42,148,784	-44,370,544	-22,449,989
Net cash from (used in) investing activities	<u>-29,267,942</u>	<u>-2,247,036</u>	<u>30,303,613</u>	<u>3,940,618</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES				
Increase (decrease) in bank overdrafts	28,933,703	-3,281,139	28,933,703	-3,281,139
Increase (decrease) in hire purchase creditors	-954,728	2,236,968	-2,850,049	2,236,968
Increase in liabilities under finance lease agreements	13,963,547	-	10,312,605	-
Repayment of long-term loans	-25,844,000	-14,981,758	-25,844,000	-14,981,758
Repayment of debentures	-25,000,000	-	-25,000,000	-
Net cash used in financing activities	<u>-8,901,478</u>	<u>-16,025,929</u>	<u>-14,447,741</u>	<u>-16,025,929</u>
Net increase (decrease) in cash and cash equivalents	21,750,225	5,732,060	-631,173	-1,533,685
Cash and cash equivalents at beginning of year	37,924,271	32,192,211	3,642,400	5,176,085
Cash and cash equivalents at end of year (Note 16)	<u>59,674,496</u>	<u>37,924,271</u>	<u>3,011,227</u>	<u>3,642,400</u>
	0	-0	-0	0
Supplemental cash flows information				
Cash paid during the year for :-				
Interest expenses	10,664,433	9,856,071	10,504,407	9,637,583
Corporate income tax	14,266,956	7,438,062	9,606,525	4,788,037

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

ANNUAL REPORT 2005

STP&I PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2005 and 2004

1. GENERAL INFORMATION

STP&I Public Company Limited (“the Company”) was incorporated as a public company under Thai laws and listed on the Stock Exchange of Thailand in 1995. The Company operates its business in Thailand and its principal activity is steel fabrication work, and the manufacture of boilers and pressure vessels. The Company’s registered address is 32/56, 26th Floor, Sino-Thai Tower, Sukhumvit 21 Road, Kwaeng Klongtoey Nua, Khet Wattana, Bangkok.

2. BASIS OF CONSOLIDATION

2.1 The consolidated financial statements include the financial statements of STP&I Public Company Limited and its subsidiaries as follows :-

	Equity interest	Nature of business	Subsidiaries's total assets as a percentage to the consolidated total		Subsidiaries's total revenues as a percentage to the consolidated total	
			2005	2004	2005	2004
			Percent	Percent	Percent	Percent
STIT Company Limited	100	Manufacture, sale and rental of construction equipment	8	10	10	19
Clough Sino-Thai Company Limited	50	Integrated module steel structure	38	3	51	-

2.2 Intercompany balances and transactions, the Company’s investments in subsidiaries and the share capital of the subsidiaries have been eliminated from the consolidated financial statements.

2.3 During the third quarter of 2004, the Company and Clough (Thailand) Company Limited jointly invested in the establishment of Clough Sino-Thai Company Limited to support various domestic and overseas construction projects, with the Company holding a 50% equity interest (applying the proportionate equity method).

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547.

Significant accounting policies adopted by the Company and its subsidiaries are summarized below:-

3.1 Revenues and Expenses Recognition

a) Revenues

Revenues from fabrication work long-term contracts are recognised on percentage of completion basis based on the assessment of the Company's and subsidiary's engineers. Recognised revenues, which are not yet due per the contract, have been presented under the caption of "Unbilled receivables" in the balance sheets.

Sales of goods are recognised when products are delivered and title passes to customers. The subsidiary recognised service income from rental of equipments on an accrual basis.

b) Expenses

Costs of fabrication work are recognised in accordance with the percentage of work completed based on total estimated costs. Provision for anticipated losses on construction projects is made in the accounts in full when the possibility of loss is ascertained. Differences between the estimated costs and the actual costs are recognised as current assets or current liabilities in the balance sheets.

Other expenses are recognised on an accrual basis.

3.2 Account Receivables and Allowance for Doubtful Debts

Account receivables 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 based on collection experience and current status of receivables outstanding at the balance sheet date.

3.3 Inventories

Inventories are valued at the lower of cost (first-in, first-out method) and net realisable value.

3.4 Leasehold right

Leasehold right is amortized on the straight-line method over the leasehold period (3 years).

3.5 Property, Plant and Equipment / Depreciation

Property is stated at cost. Plant and equipment are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalised, while expenditures for maintenance and repairs are charged to the earnings statements. When assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the earnings statements.

The assets are reviewed for impairment whenever events or changes in circumstance indicate that carrying amount may not be recoverable. The impairment loss (if any) is considered based on fair value appraised by independent appraiser and is recognised in the earnings statement.

Depreciation is calculated by reference to their cost on a straight-line basis over the following estimated useful lives:-

Land Improvements	-	20 years
Building and Construction	-	5, 20 years
Machinery, Tools, and Equipments	-	5, 15 years
Office Equipments, Furniture & Fixtures	-	5 years
Vehicles	-	5 years

No depreciation is provided for land and construction in progress.

3.6 Investments

Fair value of unit trust of open-end fund is valued at net asset value.

Investments in subsidiaries (in the financial statements of the Company only) and associated company are stated under the equity method.

Other long-term investments in non-marketable equity securities, which the Company holds as other investments, are stated at cost.

Loss on impairment of other long-term investments is recognised in the earnings statements when there is permanent diminution in the value of the investments. Previously recognised impairment losses of other long-term investments are reversed when there is a change in the estimates used to determine the impairment loss. The carrying amount of the investment is increased to its recoverable amount, not exceeding the carrying amount that would have resulted had no impairment loss been recognised in prior years. The reversal of an impairment loss is recognised in earnings statements immediately.

3.7 Foreign Currencies and Derivative Instrument

Foreign currency transactions incurred during the year are translated into Thai Baht at the exchange rates ruling on the transaction dates. Assets and liabilities in foreign currency outstanding at the balance sheet date are translated into Thai Baht at the rates ruling on the balance sheet date.

Exchange gains and losses are included in determining earnings.

The financial statements of the associated company, which was incorporated overseas, are translated into Thai Baht at the closing exchange rate as to assets and liabilities and at the average exchange rate as to revenues and expenses. The resultant difference has been shown under the caption of "Translation adjustments" in the shareholders' equity.

Forward contracts are recorded as forward contracts receivable or forward contracts payable on inception, and are translated at the year end exchange rate. Unrealised gains and losses on translation are recognised in the income statement. Discounts or premiums, the difference between the spot exchange rate and the forward exchange rate at the inception of the contract, are deferred and amortised to earnings over the contract period using the straight-line method.

3.8 Basic Earnings per Share

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

3.9 Use of Accounting Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates for certain accounting transactions, affecting amounts reported in the financial statements and notes related thereto. Subsequent actual results may differ from these estimates.

4. CURRENT INVESTMENTS

The balance of current investments consists of the following :-

(Unit : Baht)

	2005	2004
4.1 672,474 units (2004 : 75,964 units) of TMB Mutual Fund	11,321,801	1,235,934
Add : Unrealised Gain from Investment	7,777	18,397
Net Asset Value	11,329,578	1,254,331
4.2 13,927 units (2004 : 1,247,505 units) of SCB-SFF Mutual Fund	223,271	20,000,000
Add : Unrealised Gain from Investment	4,402	2,620
Net Asset Value	227,673	20,002,620
4.3 Bill of Exchange from Financial Institution, carrying interest at 4% p.a. and to be matured on March 29, 2005	-	20,000,000
	<u>11,557,251</u>	<u>41,256,951</u>

5. TRADE ACCOUNT RECEIVABLES

The aging of outstanding balances of trade account receivables as at the balance sheet dates was as follow: -

	Consolidated		The Company only	
	2005	2004	2005	2004
Related parties				
Not yet due	1,415,749	7,756,041	701,736	7,079,363
Past due				
Less than 3 months	95,334,248	19,647,762	182,395,395	14,747,660
3 - 6 months	3,855,171	101,564	6,973,728	-
6 - 12 months	199,930	264,449	-	-
More than 12 months	1,835,264	1,623,411	1,594,514	1,623,411
Total	102,640,362	29,393,227	191,665,373	23,450,434
Less : Allowance for doubtful accounts	(1,594,514)	(2,871,064)	(1,594,514)	(2,871,064)
	101,045,848	26,522,163	190,070,859	20,579,370
Unrelated parties				
Not yet due	339,502,847	61,467,247	21,822,461	49,488,316
Past due				
Less than 3 months	84,583,864	6,718,609	17,786,010	1,298,205
3 - 6 months	22,121,929	5,934,590	388,000	5,636,830
6 - 12 months	824,185	613,420	-	132,687
More than 12 months	104,680,427	99,234,227	100,446,680	95,339,975
Total	551,713,252	173,968,093	140,443,151	151,896,013
Less : Allowance for doubtful accounts	(103,932,870)	(98,296,040)	(100,032,267)	(94,395,438)
	447,780,382	75,672,053	40,410,884	57,500,575
Accounts receivable - net	548,826,230	102,194,216	230,481,743	78,079,945

The Company and its subsidiaries believe that allowance for doubtful accounts set aside is adequate in the present circumstances.

During the year 2004, the Company received repayment from account receivable approximately Baht 4.7 million which has long-outstanding balance over 12 months and against which the Company has already set up a full allowance for doubtful accounts. As a result, the Company reversed the allowance for doubtful account for this account receivable and presented separately in the earnings statement.

* NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. RELATED PARTY TRANSACTIONS

During the years, the Company and its subsidiaries had significant business transactions with related companies (related by way of shareholdings or common shareholders or directors). Such transactions, which have been concluded on the terms and basis as determined among the parties concerned and were in the normal course of business, are summarized below:-

	(Unit : Million Baht)				Pricing policy
	For the years ended 31 December				
	Consolidated		The Company only		
	2005	2004	2005	2004	
Transactions with subsidiaries (eliminated from the consolidated financial statements)					
Revenues from fabrication work	387.2	-	774.4	-	Contract price
Sales and services	26.6	-	14.0	10.8	Market price and contract price
Service income - Contribution fee	-	-	43.6	-	Based on relevant contract (1)
Other income	0.2	-	8.6	-	Contract price
Cost of fabrication work	0.7	-	1.9	0.4	Contract price
Transactions with related companies					
Revenues from fabrication work	7.7	177.6	7.7	177.6	Contract price
Sales and services	77.4	38.6	5.2	8.0	Market price and contract price
Other income	7.4	11.8	7.4	11.8	Contract price
Cost of fabrication work	92.3	21.4	63.0	21.4	Contract price
Purchase of services	9.2	0.4	0.4	0.4	Contract price

(1) Contribution Fee Income

During the year 2005, the Company received a contribution fee income from Clough Sino-Thai Company Limited (a subsidiary) amounting to approximately Baht 43.6 million. Such transaction has been stated on relevant contract.

* NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In addition, the Company has guaranteed the construction contracts of an overseas associated company as described in Note 22.2 to the financial statements.

The outstanding balances of the related party transactions are shown under separate captions in the balance sheets detailed as follows :-

	(Unit : Baht)			
	Consolidated		The Company only	
	2005	2004	2005	2004
<u>Trade accounts receivable - related parties</u>				
Subsidiary companies				
STIT Company Limited	-	-	450,124	96,391
Clough Sino-Thai Company Limited	94,810,367	1,173,746	189,620,735	2,347,492
Related companies				
Mitsui & Company (Thailand) Limited	1,594,514	1,594,514	1,594,514	1,594,514
Sino-Thai Engineering and Construction Public Company Limited	6,226,473	26,585,600	-	19,372,670
Thai Maintenance Contracting Company Limited	9,008	39,367	-	39,367
Total	102,640,362	29,393,227	191,665,373	23,450,434
Less : Allowance for doubtful accounts	(1,594,514)	(2,871,064)	(1,594,514)	(2,871,064)
Trade accounts receivable - related parties, net	101,045,848	26,522,163	190,070,859	20,579,370
<u>Unbilled receivables - related parties</u>				
Subsidiary company				
Clough Sino-Thai Company Limited	34,403,850	-	68,807,699	-
Total	34,403,850	-	68,807,699	-
<u>Retention receivables from construction contracts - related parties</u>				
Subsidiary company				
Clough Sino-Thai Company Limited	441,929	-	883,858	-
Related company				
Sino-Thai Engineering and Construction Public Company Limited	541,015	8,391,439	-	8,391,439
Total	982,944	8,391,439	883,858	8,391,439
<u>Advances to related parties</u>				
Subsidiary companies				
STIT Company Limited	-	-	8,070,022	5,119,080
Clough Sino-Thai Company Limited	-	23,065	-	46,130
Associated company				
Inter-IMC Pte Ltd.	7,460	41,956	7,460	41,956
Related companies				
Thai Maintenance Contracting Company Limited	16,262	12,514	16,262	12,514
Sino-Thai Engineering and Construction Public Company Limited	31,115	264,144	31,115	264,144
	54,837	341,679	8,124,859	5,483,824

ANNUAL REPORT 2005

* NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated		(Unit : Baht) The Company only	
	2005	2004	2005	2004
<u>Trade accounts payable - related parties</u>				
Subsidiary company				
STIT Company Limited	-	-	1,418,563	-
Related companies				
Clough (Thailand) Company Limited	24,024,488	-	-	-
Thai Maintenance Contracting Company Limited	2,220,285	8,304,062	822,201	8,304,062
Sino-Thai Engineering and Construction Public Company Limited	-	614,235	-	-
Clough Project PTY Company Limited	49,951	-	-	-
Total	26,294,724	8,918,297	2,240,764	8,304,062
<u>Short-term loans and advance received from related parties</u>				
Subsidiary company				
STIT Company Limited	-	-	10,000,000	-
Associated company				
Inter IMC Pte. Ltd.	22,350,960	-	22,350,960	-
Related company				
Clough (Thailand) Company Limited	-	1,752,867	-	-
Total	22,350,960	1,752,867	32,350,960	-
<u>Advances received from construction contracts-related party</u>				
Subsidiary company				
Clough Sino-Thai Company Limited	5,655,258	-	11,310,516	-
Total	5,655,258	-	11,310,516	-

The outstanding balance of short-term loan from subsidiary company represents loan maturing with in one months and carrying interest at one percent.

The outstanding balances of short-term loan from associated company represents loan, maturing with in one month and three months and with no interest.

ANNUAL REPORT 2005

7. INVENTORIES

The outstanding balances of inventories as at December 31, 2005 and 2004 were as follows:-

(Unit : Baht)

	Consolidated		The Company only	
	2005	2004	2005	2004
Finished goods	5,598,877	7,804,238	-	-
Spare parts and supplies	38,673,027	35,577,126	18,445,311	17,654,000
Goods in transit	36,434	844,806	-	-
Work in process	-	1,513,733	-	-
Total	44,308,338	45,739,903	18,445,311	17,654,000
Less : Provision for devaluation of inventories	(4,521,202)	(1,441,620)	(3,341,060)	(941,620)
Inventories - net	39,787,136	44,298,283	15,104,251	16,712,380

The Company and its subsidiaries believe that net realizable value of inventories as at December 31, 2005, did not materially differ from their net book value.

* NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENT ACCOUNTED FOR UNDER EQUITY METHOD

(Unit : Baht)

Company name	Percentage owned by the Company		Paid-in capital		Investment			
					Cost method		Equity method	
	2005	2004	2005	2004	2005	2004	2005	2004
	%	%	Million Baht	Million Baht				
			(Except for other specified currency)					
<u>Subsidiaries</u>								
STIT Company Limited	100	100	50.0	50.0	50,000,000	50,000,000	78,267,068	66,740,915
Clough Sino-Thai Company Limited (Construction)	50	50	30.0	30.0	15,000,000	15,000,000	123,150,837	6,903,207
Total investments in subsidiaries					<u>65,000,000</u>	<u>65,000,000</u>	<u>201,417,905</u>	<u>73,644,122</u>
<u>Associated company</u>								
Inter IMC Pte Limited			(Million Singapore Dollar)					
(Construction)	46	46	0.5	0.5	5,510,000	5,510,000	19,080,222	17,137,503
Total investment in associated company					<u>5,510,000</u>	<u>5,510,000</u>	<u>19,080,222</u>	<u>17,137,503</u>
Total investments accounted for under equity method					<u>70,510,000</u>	<u>70,510,000</u>	<u>220,498,127</u>	<u>90,781,625</u>

By the resolution of The Board of Directors Meeting of Clough Sino-Thai Company Limited held on 15 December 2005, it has been resolved that the subsidiary pay an interim dividend of Baht 6.67 per share totaling Baht 20 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT

Consolidated

(Unit : Baht)

	Land and land improvements	Building	Building improvements	Machinery, tools and Construction Equipment	Motor vehicles	Furniture and office equipment	Construction in progress	Total
Cost :								
31 December 2004	155,174,951	513,204,747	56,923,507	342,575,349	56,696,961	49,625,575	7,550,067	1,181,751,157
Acquisitions	3,069,153	778,414	10,295,831	46,900,952	5,639,484	11,587,172	199,716	78,470,722
Transfer in / (out)	-	735,375	912,078	5,685,238	-	366,742	(7,699,433)	-
Disposals / write-off	-	-	-	(4,792,066)	(1,732,495)	(117,908)	-	(6,642,469)
31 December 2005	158,244,104	514,718,536	68,131,416	390,369,473	60,603,950	61,461,581	50,350	1,253,579,410
Accumulated depreciation :								
31 December 2004	194,274	170,114,199	18,614,799	235,471,108	41,466,091	39,322,646	-	505,183,117
Depreciation for the year	112,575	17,174,082	6,661,847	25,992,087	5,103,973	5,566,814	-	60,611,378
Depreciation for disposals	-	-	-	(392,614)	(935,004)	(87,639)	-	(1,415,257)
31 December 2005	306,849	187,288,281	25,276,646	261,070,581	45,635,060	44,801,821	-	564,379,238
Provision for impairment of assets								
31 December 2004	27,534,053	150,155,432	7,999,487	6,904,143	-	-	-	192,593,115
31 December 2005	27,534,053	150,155,432	7,999,487	6,904,143	-	-	-	192,593,115
Net book value :								
31 December 2005	130,403,202	177,274,823	34,855,283	122,394,749	14,968,890	16,659,760	50,350	496,607,057
31 December 2004	127,446,624	192,935,116	30,309,221	100,200,098	15,230,870	10,302,929	7,550,067	483,974,925
Depreciation (included in earnings statements)								
Year 2005								60,611,378
Year 2004								48,266,844

ANNUAL REPORT 2005

* NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company Only

(Unit : Baht)

	Land and land improvements	Building	Building improvements	Machinery, tools and Construction equipment	Motor vehicles	Furniture and office equipment	Construction in progress	Total
Cost :								
31 December 2004	155,174,951	513,204,747	50,663,451	318,593,360	49,501,145	47,467,409	1,890,421	1,136,495,484
Acquisitions	3,069,153	778,414	1,517,759	34,301,384	-	4,653,484	50,350	44,370,544
Transfer in / (out)	-	735,375	76,078	712,226	-	366,742	(1,890,421)	-
Disposals / write-off	-	-	-	(4,425,256)	(1,498,131)	(115,405)	-	(6,038,792)
31 December 2005	158,244,104	514,718,536	52,257,288	349,181,714	48,003,014	52,372,230	50,350	1,174,827,236
Accumulated depreciation :								
31 December 2004	194,274	170,114,199	18,569,193	228,936,319	37,339,740	38,670,444	-	493,824,169
Depreciation for the year	112,575	17,174,082	2,123,342	19,578,234	3,427,879	4,032,473	-	46,448,585
Depreciation for disposals	-	-	-	(219,458)	(700,645)	(87,511)	-	(1,007,614)
31 December 2005	306,849	187,288,281	20,692,535	248,295,095	40,066,974	42,615,406	-	539,265,140
Provision for impairment of assets								
31 December 2004	27,534,053	150,155,432	7,999,487	6,904,143	-	-	-	192,593,115
31 December 2005	27,534,053	150,155,432	7,999,487	6,904,143	-	-	-	192,593,115
Net book value :								
31 December 2005	130,403,202	177,274,823	23,565,266	93,982,476	7,936,040	9,756,824	50,350	442,968,981
31 December 2004	127,446,624	192,935,116	24,094,771	82,752,897	12,161,405	8,796,965	1,890,421	450,078,200
Depreciation (included in earnings statements)								
Year 2005								46,448,585
Year 2004								42,532,126

As the economic situation in Thailand affected to the Company's operations in the year 2000, the Company hired an independent appraiser to appraise the value of its land and land improvement, building, building improvement and machinery. According to the report of the independent appraiser, as at 29 December 2000, the fair value of the land and land improvement, building and

ANNUAL REPORT 2005

improvement, of which net book value was Baht 579 million, was approximately Baht 394 million and as at December 22, 2000, the fair value of machinery, of which the cost was Baht 95 million, was approximately Baht 92 million. The Company's accounts reflected the value of these assets as appraised by the independent appraiser, and the loss on revaluation was reflected in the earnings statement for the year ended December 31, 2000. The Company's management believes that the fair values of these assets as of balance sheet date did not materially differ from their previously appraised values.

As at December 31, 2005, certain plant and equipment items have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 226 million (2004: Baht 218 million).

Most of the Company's land and building and some of the Company's machineries have been mortgaged with banks to secure the credit facilities.

10. BANK OVERDRAFTS AND SHORT-TERM AND LONG-TERM LOANS FROM FINANCIAL INSTITUTIONS

The Company's bank overdraft, short-term and long-term loans facilities and packing credit facilities from local banks are secured by the Company's fixed deposits and most of the Company's fixed assets as mentioned in Note 9 to the financial statements, and are guaranteed by the Company's directors together with its subsidiaries and its related company. Under the loan agreements, the Company has to comply with certain covenants, including maintenance of financial ratios, restrictions on disposals of fixed assets and limits on additional liabilities, as normally required by banks.

The balance of long-term loans from local bank consists of:-

	(Unit : Baht)	
	Consolidated / the Company Only	
	2005	2004
a) Baht 40 million loan facility, carrying interest at Prime Rate* minus 0.5% p.a., and repayable in installments of Baht 1.1 million per month, beginning as from July 2003 to June 2006.	6,640,000	19,984,000
b) Baht 50 million loan facility, carrying interest at 4.5% p.a., and repayable in semi-annual installments of Baht 6.25 million from May 2005 to November 2008.	37,500,000	50,000,000
Total	44,140,000	69,984,000
Less : Current portion	(19,140,000)	(25,844,000)
Long-term loans - net of current portion	25,000,000	44,140,000

* Prime Rate represents the minimum interest rate change for Baht loan.

11. LIABILITIES UNDER FINANCE LEASE AGREEMENT

The Company and its subsidiary have entered into finance lease agreements with two companies to lease machineries and vehicles for use in its operations. Repayment is to be made monthly, over a 36-month period and 48-month period respectively, The machineries and vehicles acquired by the Company and its subsidiary under finance lease agreements are recorded as assets at fair value and their net book value as of the balance sheet date were approximately Baht 12.6 million and Baht 4.4 million respectively.

12. DEBENTURES

On November 7, 2003, the Company issued 100,000 units, unsecured, 5-year amortising debentures with a face of Baht 1,000 and a coupon rate of 5.25 percent per annum. Interest payment due in semi-annual basis. Principal repayment due in 8 equal semi-annual installments as from May 9, 2005. These debentures contain covenants related to various matters including maintenance of financial ratios, restrictions on disposal of fixed asset and limits on additional liabilities.

13. STATUTORY RESERVE

Under Section 116 of the Public Company Limited Act B.E. 2535, the Company is required to set aside as a statutory reserve at least 5 percent of its net profit, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of its registered share capital. The statutory reserve could not use for dividend payment.

14. DIRECTORS' REMUNERATION

This director's remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Company Limited Act, exclusive of salaries and related benefits payable to executive directors.

15. CORPORATE INCOME TAX

The subsidiary company's corporate income tax is calculated from its net earnings after adding back certain expenses which are disallowable for tax computation purposes.

No corporate income tax is payable for the years ended December 31, 2005 and 2004 since the Company has loss from the non-promoted activities for the year 2005 and 2004.

16. STATEMENTS OF CASH FLOWS

For the purposes of the statements of cash flows, cash and cash equivalents include cash on hand and at banks and short-term investments with an original maturity of 3 months or less and not subject to restrictions.

17. PROVIDENT FUND

The Company, its subsidiaries and their employees have jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The fund is contributed to by both the employees, the Company and its subsidiaries and is managed by Thai Military Bank Public Company Limited. The fund will be paid to the employees upon termination in accordance with the rules of the fund. During the year, the Company and its subsidiaries contributed Baht 1.6 million (The Company only: Baht 1.2 million) to the fund.

18. NUMBER OF EMPLOYEES AND RELATED COSTS

(Unit : Thousand Baht)

	Consolidated		The Company only	
	2005	2004	2005	2004
Number of employees at end of year (Persons)	2,904	958	1,654	822
Employee costs for the year	369,265	156,749	160,006	122,291

19. PROMOTION PRIVILEGES

The Company was granted promotion privileges under the Investment Promotion Act B.E. 2520 from the Board of Investment, under certificate No. 1114/2542 for the manufacture of fabrication work. Subject to certain imposed conditions, the privileges include exemption of corporate income tax on net profit for a period of eight years commencing as from January 8, 2001 (the date of first earning operating income).

* NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company's revenues for the years ended December 31, 2005 and 2004 can be divided between promoted and non-promoted activities as follows: -

(Unit : Baht)

	The Company Only					
	BOI		NON-BOI		TOTAL	
	2005	2004	2005	2004	2005	2004
Revenues from fabrication work						
Export	114,581,835	86,712,591	80,743,239	143,031,290	195,325,074	229,743,881
Local	852,948,170	265,419,119	320,151,913	156,066,059	1,173,100,083	421,485,178
Total	967,530,005	352,131,710	400,895,152	299,097,349	1,368,425,157	651,229,059
Revenues from sales and services	-	-	78,522,963	26,376,192	78,522,963	26,376,192
TOTAL REVENUES	967,530,005	352,131,710	479,418,115	325,473,541	1,446,948,120	677,605,251

One of the subsidiaries was granted promotional privileges approved by the Board of Investment under the Thai Investment Promotion Act B.E. 2520, for the manufacture of fabrication work and equipments for industrial work, under certificates No. 1357(2)/2548 dated January 19, 2005. Subject to certain imposed conditions, the main privileges include the followings:

- Reduction of import duty on machinery imported for use in production.
- Exemption from import duty on raw materials imported for use in production of export product.
- Exemption from corporate income tax on net profit (not more than the capital investment, excluded land and working capital) for a period of three years, commencing from the date of first earning operating income.
- Dividends paid from the profits of promoted operations which are exempt from corporate income tax, are in turn from exempted from inclusion in the determination of corporate income tax.

2548
ANNUAL REPORT 2005

* NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The subsidiary's revenues for the years ended December 31, 2005 and for the period as from 5 July 2004 to December 31, 2004 can be divided between promoted and non-promoted activities as follows: -

(Unit : Baht)

	BOI		Subsidiary company only NON-BOI		TOTAL	
	2005	2004	2005	2004	2005	2004
Revenues from fabrication work - local	2,734,615,746	-	-	-	2,734,615,746	-
Revenues from services	-	-	13,866,362	-	13,866,362	-
TOTAL REVENUES	2,734,615,746	-	13,866,362	-	2,748,482,108	-

Revenues of Clough Sino-Thai Company Limited (subsidiary) are stated by applying the proportionated consolidation.

ANNUAL REPORT

2005

20. FINANCIAL INFORMATION BY SEGMENT

The operations of the Company and its subsidiaries principally involve mainly in the fabrication work for construction and industrial, the sale of construction machine, and machinery hire and are carried on both local and overseas geographic areas. As a result, all of the revenues, operating profit (loss) and assets as reflected in these financial statements pertain to the aforementioned industry segment and geographic areas.

The Company and its subsidiaries' financial information from the earnings statements regarding geographical segments for the year ended December 31, 2005 and 2004 are as follows:-

(Unit : Million Baht)

	Consolidated					
	For the years ended 31 December					
	Local sales		Overseas sales		Total	
	2005	2004	2005	2004	2005	2004
Revenue from fabrication work	786	421	1,563	230	2,349	651
Sales and services	295	173	12	8	307	181
Earnings (loss) from operations	135	45	87	(44)	222	1
Others income					28	31
Share of profit form investments accounted for under equity method					1	3
Selling, administrative and interest expenses					(99)	(81)
Corporate income tax					(5)	(3)
Net earnings (loss)					147	(49)

Financial information from the balance sheet regarding geographical segments as at December 31, 2005 and 2004 are as follows :-

(Unit : Million Baht)

	Consolidation					
	Local sales		Overseas sales		Total	
	2005	2004	2005	2004	2005	2004
Trade accounts receivable - net	148	76	401	26	549	102
Unbilled receivable	93	151	104	20	197	171
Others					799	711
Total asset					1,545	984

21. PROCESS BILLING AND COST OF CONSTRUCTION WORKS

As at December 31, 2005, the Company's and subsidiary's aggregate amount of fabrication work cost incurred and recognized profits or losses to date for long-term fabrication work in progress is Baht 2,037 million (the Company only : Baht 1,056 million). The Company has already billed for the contracts in progress from project owners of Baht 1,883 million (the Company only: Baht 914 million). Progress billing and cost of construction works of Clough Sino-Thai Company Limited (subsidiary) are stated by applying the proportionate consolidation.

22. COMMITMENTS AND CONTINGENT LIABILITIES

As at December 31, 2005, the Company and its subsidiaries had the following commitments and contingent liabilities:-

22.1 The Company and its subsidiaries has pledged deposits of Baht 17.2 million (the Company only: Baht 13.2 million) and the Company has mortgaged most plots of its land and construction thereon and part of its machinery with banks to secure credit facilities.

22.2 The Company provided guarantees for an overseas associated company with regard to tender and construction work, amounting to approximately SGD 4.4 million (2004 : SGD 3.2 million).

22.3 The Company and its subsidiaries had the following outstanding guarantees issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the ordinary course of business :-

<u>Currency</u>	<u>(Unit : Million)</u>	
	<u>Consolidated</u> <u>Amount</u>	<u>The Company Only</u> <u>Amount</u>
Baht	62.1	58.0
USD	3.9	3.9

22.4 As at December 31, 2005, the Company had forward exchange contracts outstanding amounting to USD 0.1 million with the forward exchange rates stipulated at Baht 39.79 per 1 USD.

22.5 As at December 31, 2005, a subsidiary had commitments amounting to Baht 2.2 million in respect of land and building rental agreement. This agreement also stipulates that the subsidiary is to pay an annual rental fee at 0.5 percent of revenue from its operations, but not exceed Baht 4.5 million. However, the gross amount of this rental fee up to the end of the contract period is not to exceed Baht 13.5 million.

22.6 As at December 31, 2005, a subsidiary had commitments in respect of lease of equipments and service agreement amounting to Baht 3.6 million (2004: Nil), Baht 0.7 million (2004: Nil) respectively.

23. FINANCIAL INSTRUMENTS

Financial Risk Management and Policies

The Company and subsidiaries are exposed to risk from changes in market interest rates, currency exchange rates and from nonperformance of contractual obligations by counter parties. They do not hold or issue derivative instruments for speculative or trading purpose.

Interest Rate Risk

The interest rate risk is generally the risk that future movements in market interest rates will affect the results of the Company and its subsidiaries' operations and their cash flows. The Company and subsidiaries' exposure to interest rate risk relates primarily to deposits with financial institutions, bank overdrafts, loans from financial institutions and debentures. The Company and subsidiaries do not use derivative financial instruments to hedge such risk.

* NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2005, the Company and subsidiaries are exposed to interest rate risk in relation to the following financial assets and liabilities as following :-

(Unit : Million Baht)

	Floating interest rate	Fixed interest rate			Interest rate	Total
		Maturity	Maturity	Total		
		within 1 year	more than 1 year			
<u>Financial assets</u>						
Deposits at financial institutions	59.7	-	-	-	-	59.7
Restricted bank deposits	-	-	17.2	17.2	2.5%-3.1%	17.2
<u>Financial liabilities</u>						
Bank overdraft and short-term loan						
from financial institution	43.4	-	-	-	-	43.4
Long-term loans (Note 10)	6.7	12.5	25.0	37.5	4.5%	44.2
Debentures (Note 12)	-	25.0	50.0	75.0	5.25%	75.0

Foreign Currency Risk

The Company and subsidiaries exposure to foreign currency risk relates primarily to income derived from overseas projects and payables which are denominated in foreign currencies. The Company and subsidiaries used derivative financial instruments to hedge part of the overseas receivables. In addition, the Company is exposed to the effect of foreign exchange movements on its investment in foreign associated company (as described in Note 8 to the financial statements), which are currently not hedged by any derivative financial instrument.

2548
ANNUAL REPORT 2005

* NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Below is the summary of the Company and its subsidiaries' foreign currency-denominated assets/liabilities as at December 31, 2005.

	(Unit : Million)	
	<u>Consolidated</u>	<u>The Company Only</u>
Assets		
USD	10.0	0.5
Liabilities		
USD	1.6	0.6
SGD	1.0	0.9
EURO	0.1	-
YEN	8.3	-

Assets and liabilities of Clough Sino-Thai Company Limited (subsidiary) are stated by applying the proportionate consolidation.

2548
ANNUAL REPORT 2005

Credit Risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable. However, due to a prudent credit policy and diversified customer base, the Company and subsidiaries do not anticipate material losses from their debt collection, other than those against which a provision has already been set aside.

Fair Value

Since the majority of financial assets and financial liabilities are short-term and the long-term loans carry interest at rates close to market rates, the Company's management believes that the fair values of financial assets and liabilities do not materially differ from their carrying values.

24. LAWSUIT

During the year 2004, the Company was subcontracted to perform construction work by an overseas company ("counterparty"), and commenced construction in the same year. Subsequently, in the first quarter of 2005 the Company and the counterparty agreed that the Company would hand back the work, and the Company charged for the expenses incurred in relation to the work already performed. However, the Company has yet to receive payment from the counterparty and has sued the counterparty to recover the above expenses, which amounted to approximately Baht 17.3 million, in the second quarter of 2005. In the third quarter of 2005, the counterparty claim bank letters of guarantee payment for a performance guarantee and advance payment guarantee amounting to approximately USD 0.7 million. In addition, the counterparty sued the Company to seek payment for expenses caused by the hand back of work amounting to approximately USD 6.8 million. As at the balance sheet date, the cases are being heard by the court. The Company's management and the Company's legal consultant are unable to predict the outcome of the case.

25. PRESENTATION

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

26. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorised issue by the Authorised Director on 25 February 2006.

* OTHER REFERENCES

Securities Registered Office : Thailand Securities Depository Company Limited
4th, 6-7th Floor, Stock Exchange of Thailand Building
62 Ratchadaphisek Road
Klongtoey, Bangkok 10110, Thailand
Tel: +66 (0) 2229 2000
Fax: +66 (0) 2359 1259

Auditor : Ernst and Young Office Limited
33rd Floor, Lake Ratchada Building
193/136-137 Ratchadaphisek Road
Klongtoey, Bangkok 10110, Thailand
Tel: +66 (0) 2264 0777, +66 (0) 2661 9190
Fax: +66 (0) 2264 0789 -90, +66 (0) 2661 9192

Attorneys-At-Law : Dej-Udom & Associated Limited
9th Floor, Charn Issara Tower
942/142-3 Rama IV Road, Bangkok 10500, Thailand
Tel: +66 (0) 2233 0055
Fax: +66 (0) 2236 6681

ANNUAL REPORT 2005