

**REVIEW REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**TO THE BOARD OF DIRECTORS**

**SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED**

We have reviewed the consolidated balance sheet of Sahaviriya Steel Industries Public Company Limited and its subsidiaries and the balance sheet of Sahaviriya Steel Industries Public Company Limited as at March 31, 2004 and the related consolidated statements of income, changes in shareholders' equity and cash flows and the Company's statements of income, changes in shareholders' equity and cash flows for the quarter then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. Our responsibility is to report on these financial statements based on our review. The consolidated and Company's financial statements for the quarter ended March 31, 2003 presented herein for comparison were reviewed by another auditor of the same firm, whose report thereon dated April 25, 2003, stated that nothing has come to her attention that causes her to believe that the consolidated and Company's financial statements were not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

We conducted our review in accordance with the Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provided less assurance than an audit in accordance with generally accepted auditing standards, and accordingly, we do not express an opinion.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated and Company's financial statements as described in the first paragraph are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

The consolidated financial statements of Sahaviriya Steel Industries Public Company Limited and its subsidiaries and the financial statements of Sahaviriya Steel Industries Public Company Limited for the year ended December 31, 2003 were audited in accordance with generally accepted auditing standards, by another auditor of the same firm, whose report thereon dated January 30, 2004 expressed an unqualified opinion on those statements. The consolidated and Company's balance sheets as at December 31, 2003 presented herein for comparison, were derived from such financial statements. We have not performed any other audit procedures subsequent to such another auditor's report date.

**BANGKOK**  
April 26, 2004

Thanawan Anuratbodee  
Certified Public Accountant (Thailand)  
Registration No. 3440  
**DELOITTE TOUCHE TOHMATSU JAIYOS**

**SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**BALANCE SHEETS**

**BAHT : '000**

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>"Unaudited"</b>		<b>"Unaudited"</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>	<b>December 31,</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	1,154,283	108,399	988,815	47,049
Current investments (Note 4)	2,499,536	17,495	2,499,536	-
Trade accounts and notes receivable				
Related parties (Note 13.3)	1,055,723	1,787,097	1,036,046	1,765,818
Others	1,422,018	939,795	1,416,928	936,744
	<u>2,477,741</u>	<u>2,726,892</u>	<u>2,452,974</u>	<u>2,702,562</u>
<u>Less</u> Allowance for doubtful accounts	<u>(405,051)</u>	<u>(405,051)</u>	<u>(400,095)</u>	<u>(400,095)</u>
Trade accounts and notes receivable - net	<u>2,072,690</u>	<u>2,321,841</u>	<u>2,052,879</u>	<u>2,302,467</u>
Short-term loans and advances to				
related parties (Note 13.2)	7,089	3,051	9,678	3,062
Inventories (Note 5)	6,956,998	8,433,439	6,973,710	8,450,417
Other current assets				
Advance payments	475,409	682,993	474,707	682,989
Value-added-tax refundable claims	4,244	32,456	256	28,265
Other receivables	449	470	567	707
Prepaid expenses	11,187	14,396	10,697	13,310
Deposit at bank used as collateral	16,200	16,200	-	-
Others	32,362	31,106	21,098	18,635
Total Current Assets	<u>13,230,447</u>	<u>11,661,846</u>	<u>13,031,943</u>	<u>11,546,901</u>
<b>NON-CURRENT ASSETS</b>				
Investments using the equity method				
(Note 13.1)	561,621	561,621	1,362,780	1,328,764
Property, plant and equipment - net (Note 6)	17,535,002	17,009,451	15,558,289	15,061,607
Other non-current assets (Note 7)	56,371	68,592	5,944	13,004
Total Non-Current Assets	<u>18,152,994</u>	<u>17,639,664</u>	<u>16,927,013</u>	<u>16,403,375</u>
<b>TOTAL ASSETS</b>	<u><u>31,383,441</u></u>	<u><u>29,301,510</u></u>	<u><u>29,958,956</u></u>	<u><u>27,950,276</u></u>

See notes to the interim financial statements

**SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**BALANCE SHEETS (CONTINUED)**

**BAHT : '000**

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>"Unaudited"</b>		<b>"Unaudited"</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>	<b>December 31,</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Bank overdrafts and short-term loans from financial institutions (Note 8)				
Short-term loans	-	290,000	-	290,000
Trade accounts and notes payable	741,494	1,211,787	744,486	1,194,118
Current portion of long-term loans (Note 9)	242,893	240,663	-	-
Current portion of long-term liabilities	2,992	6,179	455	2,627
Other current liabilities				
Accrued expenses	147,672	209,151	158,660	219,224
Others	241,466	134,861	203,450	72,163
Total Current Liabilities	<u>1,376,517</u>	<u>2,092,641</u>	<u>1,107,051</u>	<u>1,778,132</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term loans (Note 9)	8,080,279	6,794,016	7,600,000	6,400,000
Debentures (Note 10)	4,000,000	4,000,000	4,000,000	4,000,000
Other non-current liabilities				
Liabilities under hire-purchase agreements	1,260	4,706	241	3,451
Total Non-Current Liabilities	<u>12,081,539</u>	<u>10,798,722</u>	<u>11,600,241</u>	<u>10,403,451</u>
<b>TOTAL LIABILITIES</b>	<u><b>13,458,056</b></u>	<u><b>12,891,363</b></u>	<u><b>12,707,292</b></u>	<u><b>12,181,583</b></u>

**SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**BALANCE SHEETS (CONTINUED)**

**BAHT : '000**

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>"Unaudited"</b>		<b>"Unaudited"</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>	<b>December 31,</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
(CONTINUED)				
SHAREHOLDERS' EQUITY				
SHARE CAPITAL				
Authorized share capital				
1,310,150,000 ordinary shares of				
Baht 10.00 each	<u>13,101,500</u>	<u>13,101,500</u>	<u>13,101,500</u>	<u>13,101,500</u>
Issued and paid-up share capital				
1,310,128,000 ordinary shares of				
Baht 10.00 each, fully paid	13,101,280	13,101,280	13,101,280	13,101,280
ADDITIONAL (DISCOUNT) ON CAPITAL				
Discount on ordinary share capital	(2,171,280)	(2,171,280)	(2,171,280)	(2,171,280)
Unrealized increment per assets appraisal				
(Note 6.2)	5,891,720	5,984,283	5,891,720	5,984,283
RETAINED EARNINGS (DEFICIT)				
Unappropriated (Deficit)	<u>429,944</u>	<u>(1,145,590)</u>	<u>429,944</u>	<u>(1,145,590)</u>
Total Company Shareholders' Equity	17,251,664	15,768,693	17,251,664	15,768,693
MINORITY INTEREST	<u>673,721</u>	<u>641,454</u>	<u>-</u>	<u>-</u>
Total Shareholders' Equity	<u>17,925,385</u>	<u>16,410,147</u>	<u>17,251,664</u>	<u>15,768,693</u>
<b>TOTAL LIABILITIES AND</b>				
<b>SHAREHOLDERS' EQUITY</b>	<u>31,383,441</u>	<u>29,301,510</u>	<u>29,958,956</u>	<u>27,950,276</u>

See notes to the interim financial statements

**SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENTS OF INCOME  
FOR THE QUARTERS ENDED MARCH 31,  
"UNAUDITED"**

**BAHT : '000**

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>REVENUES</b>				
Revenues from the sales of goods	9,069,288	7,674,309	9,068,123	7,673,475
Revenues from the rendering of services	59,339	62,535	-	-
Other income				
Gain on exchange	28,926	55,678	30,115	55,984
Others	12,689	11,679	13,465	10,004
Share of profit from investment using the equity method	-	-	36,163	41,346
<b>Total Revenues</b>	<b>9,170,242</b>	<b>7,804,201</b>	<b>9,147,866</b>	<b>7,780,809</b>
<b>EXPENSES</b>				
Cost of the sales of goods	7,254,864	6,408,684	7,344,102	6,505,410
Cost of the rendering of services	67,439	62,222	-	-
Selling and administrative expenses	130,205	200,478	118,246	175,902
Doubtful accounts (Reversal)	(11,021)	(12,447)	-	-
Other expenses	3,991	181	3,964	43
Directors' remuneration	1,010	925	850	765
<b>Total Expenses</b>	<b>7,446,488</b>	<b>6,660,043</b>	<b>7,467,162</b>	<b>6,682,120</b>
<b>INCOME BEFORE INTEREST AND INCOME TAX EXPENSES</b>	<b>1,723,754</b>	<b>1,144,158</b>	<b>1,680,704</b>	<b>1,098,689</b>
<b>INTEREST EXPENSE</b>	<b>109,702</b>	<b>225,867</b>	<b>105,170</b>	<b>219,178</b>
<b>INCOME TAX EXPENSE</b>	<b>4,188</b>	<b>908</b>	<b>-</b>	<b>-</b>
<b>INCOME AFTER TAX</b>	<b>1,609,864</b>	<b>917,383</b>	<b>1,575,534</b>	<b>879,511</b>
<b>NET INCOME OF MINORITY INTEREST</b>	<b>(34,330)</b>	<b>(37,872)</b>	<b>-</b>	<b>-</b>
<b>NET INCOME</b>	<b>1,575,534</b>	<b>879,511</b>	<b>1,575,534</b>	<b>879,511</b>

**SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENTS OF INCOME (CONTINUED)**

**FOR THE QUARTERS ENDED MARCH 31,**

**"UNAUDITED"**

**BAHT : '000**

		<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
		<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>EARNINGS PER SHARE (Note 11)</b>					
Basic earnings per share	<b>BAHT</b>	1.20	1.03	1.20	1.03
Diluted earnings per share	<b>BAHT</b>	-	0.70	-	0.70
<b>WEIGHTED AVERAGE NUMBER</b>					
<b>OF ORDINARY SHARES</b>					
Basic earnings per share	<b>'000 SHARES</b>	1,310,128	853,000	1,310,128	853,000
Diluted earnings per share	<b>'000 SHARES</b>	-	1,310,143	-	1,310,143

See notes to the interim financial statements

**SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**CONSOLIDATED**

**FOR THE QUARTERS ENDED MARCH 31, 2004 AND 2003**

**"UNAUDITED"**

	<b>BAHT : '000</b>					
	<b>Issued and Paid-up Ordinary Share Capital</b>	<b>Discount on Ordinary Share Capital</b>	<b>Unrealized Increment per Assets Appraisal</b>	<b>Unappropriated Retained Earnings (Deficit)</b>	<b>Minority Interest</b>	<b>Total</b>
Beginning balance, January 1, 2003	8,530,000	-	6,268,939	-5,848,037	397,173	9,348,075
Amortization	-	-	-78,419	-	-	-78,419
Net income	-	-	-	879,511	-	879,511
Minority interest increase	-	-	-	-	36,882	36,882
Ending balance, March 31, 2003	<u>8,530,000</u>	<u>-</u>	<u>6,190,520</u>	<u>-4,968,526</u>	<u>434,055</u>	<u>10,186,049</u>
Beginning balance, January 1, 2004	13,101,280	-2,171,280	5,984,283	-1,145,590	641,454	16,410,147
Amortization	-	-	-92,563	-	-	-92,563
Net income	-	-	-	1,575,534	-	1,575,534
Minority interest increase	-	-	-	-	32,267	32,267
Ending balance, March 31, 2004	<u>13,101,280</u>	<u>-2,171,280</u>	<u>5,891,720</u>	<u>429,944</u>	<u>673,721</u>	<u>17,925,385</u>

See notes to the interim financial statements

**SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**THE COMPANY ONLY**

**FOR THE QUARTERS ENDED MARCH 31, 2004 AND 2003**

**"UNAUDITED"**

	<b>BAHT : '000</b>				
	<b>Issued and Paid-up Ordinary Share Capital</b>	<b>Discount on Ordinary Share Capital</b>	<b>Unrealized Increment per Assets Appraisal</b>	<b>Unappropriated Retained Earnings (Deficit)</b>	<b>Total</b>
Beginning balance, January 1, 2003	8,530,000	-	6,268,939	-5,848,037	8,950,902
Amortization	-	-	-78,419	-	-78,419
Net income	-	-	-	879,511	879,511
Ending balance, March 31, 2003	<u>8,530,000</u>	<u>-</u>	<u>6,190,520</u>	<u>(4,968,526)</u>	<u>9,751,994</u>
Beginning balance, January 1, 2004	13,101,280	-2,171,280	5,984,283	-1,145,590	15,768,693
Amortization	-	-	-92,563	-	-92,563
Net income	-	-	-	1,575,534	1,575,534
Ending balance, March 31, 2004	<u>13,101,280</u>	<u>-2,171,280</u>	<u>5,891,720</u>	<u>429,944</u>	<u>17,251,664</u>

See notes to the interim financial statements



**SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENTS OF CASH FLOWS  
FOR THE QUARTERS ENDED MARCH 31,  
"UNAUDITED"**

**BAHT : '000**

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income	1,575,534	879,511	1,575,534	879,511
Items to reconcile net income to net cash flows from operations				
Doubtful accounts (Reversal)	-11,021	-12,447	-	-
Depreciation	172,434	149,845	151,999	130,874
Unrealized gain from short-term investment	-	-1,978	-	-
Provision for diminution in value of inventories	-300	850	-300	850
Additional (decrease) interest on debt restructuring	-537	63,058	-	63,429
Unrealized loss on exchange rate	1,344	20,466	1,344	20,466
Loss on disposal of property, plant and equipment	3,991	2,343	3,964	2,205
Share of profit from investment using the equity method	-	-	-36,163	-41,346
Minority interest	34,330	37,872	-	-
Net income from operations before changes in operating assets and liabilities	1,775,775	1,139,520	1,696,378	1,055,989
Operating assets (increase) decrease				
Trade accounts and notes receivable - related parties	731,374	282,608	729,772	286,505
Trade accounts and notes receivable - others	-486,858	-507,675	-484,820	-506,411
Inventories	1,476,740	1,545,750	1,477,007	1,553,597
Short-term loans and advances to related parties	-38	57	-2,616	133
Advance payments	207,585	-67,550	208,282	-67,414
Valued-added-tax refundable claims	28,213	78,695	28,008	79,082
Other receivables	11,042	13,279	140	1,436
Prepaid expenses	3,209	4,277	2,613	3,693
Other current assets - others	-1,256	8,818	-2,462	303
Other non-current assets	12,221	3	7,060	3

**SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENTS OF CASH FLOWS (CONTINUED)**

**FOR THE QUARTERS ENDED MARCH 31,**

**"UNAUDITED"**

**BAHT : '000**

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(CONTINUED)				
Operating liabilities increase (decrease)				
Trade accounts and notes payable	-468,838	-358,561	-448,176	-365,220
Accrued expenses	-61,478	-37,977	-60,565	-33,737
Other current liabilities - other	108,439	32,772	133,124	35,151
Net cash provided by operating activities	<u>3,336,130</u>	<u>2,134,016</u>	<u>3,283,745</u>	<u>2,043,110</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Increase in other investment	-2,482,041	-75,000	-2,499,536	-
Cash paid for purchases of property, plant and equipment	-796,602	-77,253	-743,061	-68,442
Short-term loans and advances to related parties	-4,000	-	-4,000	-
Net cash used in investing activities	<u>-3,282,643</u>	<u>-152,253</u>	<u>-3,246,597</u>	<u>-68,442</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Short-term loans increase (decrease)	-290,000	12,000	-290,000	12,000
Trade finance loans decrease	-	-2,028,065	-	-2,028,065
Cash repayment of long-term loans	-30,969	-22,696	-	-
Proceeds from long-term loans	1,320,000	-	1,200,000	-
Cash repayment of long-term liabilities under hire-purchase agreements	-4,884	-1,272	-5,382	-683
Cash payment of long-term liabilities for purchase of land	-1,750	-750	-	-
Net cash provided by (used in) financing activities	<u>992,397</u>	<u>-2,040,783</u>	<u>904,618</u>	<u>-2,016,748</u>
Net increase (decrease) in cash and cash equivalents	1,045,884	-59,020	941,766	-42,080
Cash and cash equivalents as at January 1	<u>108,399</u>	<u>111,109</u>	<u>47,049</u>	<u>44,540</u>
<b>Cash and cash equivalents as at March 31</b>	<u><u>1,154,283</u></u>	<u><u>52,089</u></u>	<u><u>988,815</u></u>	<u><u>2,460</u></u>
<b>Supplemental cash flow information:</b>				
Cash paid for interest	150,153	203,580	143,871	203,518
<b>Non-cash transactions:</b>				
Vehicles acquired under hire-purchase agreements	-	836	-	836
Reclassification of current portion of long-term loan	-	1,304,212	-	1,304,212
Amortization of unrealized increment per asset appraisal	94,626	79,410	90,416	77,389

See notes to the interim financial statements

**SAHAVIRIYA STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE QUARTERS ENDED MARCH 31, 2004 AND 2003**  
**“UNAUDITED”**

**1. BUSINESS OPERATIONS OF THE COMPANY AND SUBSIDIARIES**

Since 2002, the Government has continuously issued various measures regarding the antidumping and countervailing of imported goods with the measures which are still in effect as follows:

1. On May 22, 2003, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce, by Sections 7, 49, 51, 53, 57 and 73 (1) of the Antidumping and Countervailing Act B.E. 2542, issued the announcement that the Committee had an ultimate judgement on May 16, 2003 that there were a dumping and a damage from the dumping of coil and non-coil hot rolled steel originated from 14 countries according to Section 19 (1) of the Antidumping and Countervailing Act B.E. 2542, thus the antidumping duties are imposed which minimum and maximum rates are in the range between 3.45% to 128.11% of CIF value for the period of 5 years from May 22, 2003, except the imported hot rolled steel for re-export.
2. On July 11, 2003, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce issued the announcement approving the exemption of antidumping duties for coil and non-coil hot rolled steel imported for cold-rolling and further processing for downstream users and assigned the Department of Foreign Trade to monitor the import under the pre-determined volume for the period of 5 years from July 21, 2003 to May 26, 2008.
3. On March 11, 2004, the Committee on Dumping and Subsidies, Department of Foreign Trade, Ministry of Commerce issued the announcement approving the antidumping duties for coil and non-coil hot rolled steel originated from 14 countries at zero% of CIF for the period of 6 months from March 19, 2004 to September 18, 2004.

As a result of continuous measures of the Government as mentioned above, the Company has significant amount of profit from its operations attributable to significant increase in sales volume, which domestic demand for hot rolled steel increased from economic recovery in construction and auto-mobile industries and the increase in average price of hot rolled steel which is in line with the increase in world market price.

**2. BASIS FOR PREPARATION OF THE CONSOLIDATED AND COMPANY’S FINANCIAL STATEMENTS**

- 2.1 The interim consolidated and Company’s financial statements are presented in accordance with the Notification of the Department of Commercial Registration (Currently the Department of Business Development) dated September 14, 2001 regarding “The Brief Particulars in the Financial Statements B.E. 2544”.

The Company prepares its interim financial statements in conformity with accounting standards which is related to interim financial statements and practices generally accepted in Thailand.

- 2.2 The results of operations for the quarter ended March 31, 2004 are not necessarily indicative of the operating results anticipated for the full year.
- 2.3 The consolidated and Company’s balance sheets as at December 31, 2003, presented herein for comparison, have been derived from the financial statements of the Company for the year then ended which have been audited.

- 2.4 Certain financial information which is normally included in the annual financial statements prepared in accordance with generally accepted accounting principles, but which is not required for interim reporting purposes, has been omitted. Therefore, the interim financial statements should be read in conjunction with the financial statements and notes thereto included in the audited financial statements for the year ended December 31, 2003.
- 2.5 The consolidated financial statements include the accounts of the Company, Prachuap Port Company Limited and West Coast Engineering Company Limited of which the Company has a holding of 51% and 99.99%, respectively, after eliminating inter-company transactions and balances.
- 2.6 Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities. The actual results may differ from those estimates.
- 2.7 The interim consolidated and Company's financial statements are presented in accordance with the Explanation of the Department of Business Development dated November 5, 2003 regarding "The Brief Particulars in the Financial Statements (No.2) B.E.2546" by presenting the premium on ordinary shares in the net amount after offsetting with the discount on ordinary shares in the interim financial statements for the quarter ended March 31, 2004. Such reclassification has been made to the interim financial statements for the quarter ended March 31, 2003 to conform to the classification used in the current period's interim financial statements.
- 2.8 The financial statements for the year ended December 31, 2003 have been reclassified to conform to the classifications presented in the interim financial statements for the quarter ended March 31, 2004. Such reclassification is as follows:
- Accounts payable for fixed assets purchased and other payable of Baht 26,323,173 which were previously presented as part of trade accounts and notes payable in the financial statements for 2003 were reclassified to be presented as part of other current liabilities.
- 2.9 Additional information regarding related party transactions have been disclosed in Note 13 to the interim financial statements for the quarter ended March 31, 2004, and such additional information has also been disclosed to the interim financial statements for the quarter ended March 31, 2003 to conform to the disclosure in the current period's interim financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The Company uses the same accounting policies and calculation method in these interim financial statements as those used in the financial statements for 2003.

#### 4. CURRENT INVESTMENTS

Current investments consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	March 31, 2004 Baht'000	December 31, 2003 Baht'000	March 31, 2004 Baht'000	December 31, 2003 Baht'000
Fixed deposit for 1 year	-	17,495	-	-
Promissory notes	1,000,000	-	1,000,000	-
Bond and treasury bills, net	1,499,536	-	1,499,536	-
	<u>2,499,536</u>	<u>17,495</u>	<u>2,499,536</u>	<u>-</u>

Promissory notes of Baht 1,000,000,000 as of March 31, 2004, are promissory notes of The Industrial Finance Corporation of Thailand, with maturity of 3 months at the interest rate of 1.25% per annum.

Bond and treasury bills of Baht 1,499,536,254 as of March 31, 2004 comprise bonds of Bank of Thailand with face value of Baht 1,005,000,000 maturity of 3-5 months and treasury bills of Bank of Thailand with face value of Baht 500,000,000 maturity of 3 months which are presented net of deferred interest income amounting to Baht 5,463,746.

#### 5. INVENTORIES

Inventories consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	March 31, 2004 Baht'000	December 31, 2003 Baht'000	March 31, 2004 Baht'000	December 31, 2003 Baht'000
Finished goods	2,830,750	2,535,057	2,847,065	2,550,903
Raw materials	2,095,653	3,853,250	2,106,802	3,874,624
Spare parts and consumable goods	939,928	961,577	929,176	941,335
Goods in transit	1,359,174	1,352,362	1,359,174	1,352,362
	<u>7,225,505</u>	<u>8,702,246</u>	<u>7,242,217</u>	<u>8,719,224</u>
<u>Less</u> Provision for loss on diminution in value of spare parts and consumable goods	<u>(268,507)</u>	<u>(268,807)</u>	<u>(268,507)</u>	<u>(268,807)</u>
	<u>6,956,998</u>	<u>8,433,439</u>	<u>6,973,710</u>	<u>8,450,417</u>

As at March 31, 2004 and December 31, 2003, all finished goods and raw materials are pledged as collateral for short-term and long-term loans from banks (see Notes 8 and 9).

## 6. PROPERTY, PLANT AND EQUIPMENT - NET

- 6.1 As at March 31, 2004 and December 31, 2003, certain land, buildings and machinery representing approximately 88% and 89%, respectively of the total net book value of such assets are mortgaged as collateral for bank overdrafts, loans from banks, long-term loans and debentures (see Notes 8, 9 and 10).
- 6.2 In 2002, the Company engaged an independent professional appraiser, American Appraisal (Thailand) Limited, to reappraise the plant facilities for the second time after the first appraisal in 1997. In 2003, Prachuap Port Company Limited engaged such company to reappraise its berth and facilities for the second time after the first appraisal in 1998. The appraisal reports submitted by the appraiser were as of December 11, 2002 and August 28, 2003, respectively.

The results of the second appraisals of the Company and subsidiary were as follows:

	<b>The Company only</b>	<b>Baht : '000 Subsidiary</b>
Appraisal increment (decrement) - net		
Land	3,902	3,689
Buildings	241,085	1,919
Machinery	5,365,065	-
Facilities	10,700	126,348

The increment from the appraisal was recorded in the account as unrealized increment per assets appraisal and was included as part of shareholders' equity. The decrease was recorded in the statement of income for the year the revaluation was carried out.

The method of appraisal for the value of buildings, machinery, berth and facilities was the depreciated replacement cost to reflect the unexpired service potential of the assets with regard to age and condition.

In addition, the Company and such subsidiary evaluate the recoverable amounts by using the discounted cash flow method, and expect that the recoverable amounts were higher than the appraisal values from such depreciated replacement cost basis.

The Company and such subsidiary have a policy to review and adjust the depreciated appraisal value of assets on a periodic basis.

As at March 31, 2004 and December 31, 2003, the Company, subsidiary and related company have recorded unrealized appraisal increment for assets and recognized unrealized increment per assets appraisal in shareholders' equity as follows:

<b>CONSOLIDATED AND THE COMPANY ONLY</b>					
<b>March 31, 2004</b>					
	<b>Land</b>	<b>Building</b>	<b>Machinery</b>	<b>Berth and Facilities</b>	<b>Total</b>
	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>
Unrealized increment per assets appraisal of :					
The Company	3,902	214,904	4,953,806	9,537	5,182,149
The subsidiary	1,821	1,152	-	144,977	147,950
The related company	-	-	561,621	-	561,621
	<u>5,723</u>	<u>216,056</u>	<u>5,515,427</u>	<u>154,514</u>	<u>5,891,720</u>

.../5

CONSOLIDATED AND THE COMPANY ONLY					
December 31, 2003					
	Land	Building	Machinery	Berth and Facilities	Total
	Baht'000	Baht'000	Baht'000	Baht'000	Baht'000
Unrealized increment per assets appraisal of :					
The Company	3,902	220,041	5,038,852	9,770	5,272,565
The subsidiary	1,847	1,266	-	146,984	150,097
The related company	-	-	561,621	-	561,621
	<u>5,749</u>	<u>221,307</u>	<u>5,600,473</u>	<u>156,754</u>	<u>5,984,283</u>

6.3 The Company has the assets which are fully depreciated but still in use as follows:

	CONSOLIDATED		THE COMPANY ONLY	
	March 31, 2004	December 31, 2003	March 31, 2004	December 31, 2003
	Baht'000	Baht'000	Baht'000	Baht'000
Cost of assets (excluded appraisal increase) before fully depreciated	342,993	335,910	258,928	255,332

6.4 The Company may be affected by the Supreme Court's verdict to demolish its building and structures, having the book value of Baht 23.9 million, located on the leased land under dispute. Currently, the case is pending in the Supreme Court.

6.5 As at March 31, 2004 and December 31, 2003, the Company and subsidiary capitalized interest expenses incurred from loans for the construction of projects as part of cost of assets in the amount of Baht 16.3 million and Baht 4.5 million, respectively.

## 7. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	March 31, 2004	December 31, 2003	March 31, 2004	December 31, 2003
	Baht'000	Baht'000	Baht'000	Baht'000
Deposits	56,371	68,592	5,944	13,004
Receivable from cancellation of shipbuilding contract	<u>99,629</u>	<u>110,650</u>	<u>-</u>	<u>-</u>
	156,000	179,242	5,944	13,004
<u>Less</u> Allowance for doubtful account - Receivable from cancellation of shipbuilding contract	<u>(99,629)</u>	<u>(110,650)</u>	<u>-</u>	<u>-</u>
	<u>56,371</u>	<u>68,592</u>	<u>5,944</u>	<u>13,004</u>

Receivable from cancellation of shipbuilding contract represented the transaction of Prachuap Port Company Limited which cancelled the shipbuilding contract with the supplier relating to the tugboats. The supplier agreed to return all the money paid of USD 3.81 million or Baht 167.96 million within fifteen installments from July 8, 2002 to March 8, 2007. In 2002 and 2003, the subsidiary received total repayment of USD 1.3 million or Baht 57.31 million and during the quarter ended March 31, 2004, the subsidiary received the additional repayment of USD 0.25 million or Baht 11.02 million, making total repayment of USD 1.55 million or Baht 68.33 million.. However, the subsidiary has provided for the allowance for doubtful debt in full for the remaining amount as at March 31, 2004 and December 31, 2003, due to the uncertainty of the recoverability.

## 8. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

As at March 31, 2004 and December 31, 2003, the Company has short-term trade financing facilities from financial institutions according to the loan agreement dated September 15, 2003 with a total maximum credit limit of Baht 17,000 million. The trade financing facilities include bank overdraft, letters of credit, trust receipts, promissory notes, bills discounted, packing credits and banks' letters of guarantee.

Such short-term loans are secured by the mortgage of land, buildings and machinery (see Note 6.1) and the assignment of insurance proceeds to the lenders including the pledge of raw materials and finished products owned by the Company (see Note 5).

As at March 31, 2004 and December 31, 2003, the Company has unused credit facilities of Baht 10,286 million and Baht 8,605 million, respectively, from the revolving trade financing facilities. Commission and withdrawal terms are in accordance with the long-term loan agreement.

## 9. LONG-TERM LOANS

Long-term loans consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	March 31, 2004	December 31, 2003	March 31, 2004	December 31, 2003
	Baht'000	Baht'000	Baht'000	Baht'000
Loan repayable semi-annually from March 2005 onwards	5,600,000	5,600,000	5,600,000	5,600,000
Loan repayable semi-annually from June 2005 onwards	1,000,000	-	1,000,000	-
Loan repayable semi-annually from September 2005 onwards	1,000,000	800,000	1,000,000	800,000
Loan repayable monthly from April 2002 - May 2003 and semi- annually from June 2003 onwards	517,800	548,770	-	-
Loan repayable monthly from March 2005 onwards	200,000	80,000	-	-
	8,317,800	7,028,770	7,600,000	6,400,000
<u>Less</u> Current portion	(242,893)	(240,663)	-	-
	8,074,907	6,788,107	7,600,000	6,400,000
Deferred interest expenses	5,372	5,909	-	-
	<u>8,080,279</u>	<u>6,794,016</u>	<u>7,600,000</u>	<u>6,400,000</u>



The Company and subsidiary have long-term loan agreements as follows:

1. On September 15, 2003, the Company and the lending banks entered into the credit facilities agreement. The details of such loans are as follows:
  - 1.1 Long-term loans amounting to Baht 8,000 million with the lending banks which consist of convertible debentures of Baht 2,400 million, that were all converted into ordinary shares in December 2003, and long-term loan of Baht 5,600 million with 10 year maturity, interest rates at an average MLR less 1.5% per annum from the agreement date to the third year, at an average MLR less 1% per annum from the third year to the fifth year and at an average MLR less 0.5% per annum from the fifth year onwards, such interest rates must not be less than interest rate of secured debentures (see Note 10) plus 0.75% per annum. The interest is payable quarterly and principal repayment will be increased proportionately and payable semi-annually starting from March 31, 2005.
  - 1.2 Short-term loan for trade financing with maximum credit of Baht 17,000 million with the existing lenders and other financial institutions (see Note 8).

Subsequently, on December 29, 2003, the Company and the existing lenders have entered into the credit facility agreement for additional long-term loans of Baht 2,000 million with 3.5-year maturity and fixed interest rate at 3.75% per annum. The interest is payable semi-annually and principal repayment is payable in an equal amount semi-annually starting from July 2005. However, as at December 31, 2003, the Company has not yet made any withdrawal of such long-term loan and as at March 31, 2004, the Company has already made a withdrawal of Baht 1,000 million.

2. On September 11, 2003, the Company entered into a long-term loan agreement with a financial institution amounting to Baht 1,000 million with 10-year maturity, fixed interest rate at 4% per annum from the agreement date to September 30, 2008 and at an average MLR less 0.5% per annum from October 1, 2008 onwards. The interest is payable quarterly and principal repayment will be increased proportionately and payable semi-annually starting from September 30, 2005. As at December 31, 2003 and March 31, 2004, the Company has already made a withdrawal of Baht 800 million and Baht 1,000 million, respectively.

Such loans per items 1 and 2 above are secured by the mortgage of land, buildings, machinery and the assignment of insurance proceeds to the lenders including the pledge of raw materials and finished products owned by the Company (see Notes 5 and 6.1).

In addition, the both loan agreements contains certain covenants regarding the operations, financial ratios and financial position, maintenance of shareholders' equity in Prachuap Port Company Limited at not less than 51% of issued and paid up capital of such subsidiary and prohibition of dividend payments not higher than 60% of net income in each fiscal year. The agreement also includes the covenant on forbidding the Company to pledge its investment in share or create any obligation thereon. The Company thus has to comply with certain conditions contained in such loan agreement.

3. Prachuap Port Company Limited, a subsidiary, entered into the debt restructuring agreement with its lending bank on March 30, 1999 and an amendment agreement on June 30, 1999. Modification of the terms of debt included :
  - 3.1 Extension of all long-term and short-term loan principal amounts and reduction of interest thereof to a long-term loan in the amount of Baht 832.5 million with 9-year maturity, 3-year grace period of principal repayment, principal repayment monthly in the fourth year from April 2002 and principal repayment every 6 months starting from the fifth year on June 30, 2003 with interest payable monthly at interest rate below MLR of such bank during the first 7 years and thereafter at MLR of such bank.

- 3.2 Modification of terms of payment of Baht 199 million accrued interest into Baht 86 million long-term loan with maturity of 3 years and 1 month, 2-year grace period for principal repayment, no interest charge during the whole life of loan and monthly principal repayment starting from the third year on April 30, 2001. The remaining Baht 113 million is considered as debt forgiveness, provided that such subsidiary complies with the terms of debt restructuring agreement and makes payments in full for the two portions of long-term loan. Such loan is guaranteed by certain directors and the mortgage of land, as collateral.

Subsequently, such subsidiary received the letter from the bank to forgive the debt of Baht 113 million, which was effective on October 1, 2003, therefore the subsidiary recognized such amount as gain from debt forgiveness in the statement of income for the year ended December 31, 2003.

Deferred interest expenses represent the cumulative effects of the change in interest rates to be paid at the floating rates for the restructured debts at the date of restructuring and the balance sheet date.

4. On September 5, 2003, such subsidiary entered into the new long-term loan agreement with a commercial bank totaling Baht 650 million with 6 year maturity, and bearing interest rate at 3 month fixed deposit rate of the bank plus 3%, 3.5%, 4% per annum for the first two years, the third year, and the fourth year onward, respectively. Interest is payable monthly and the grace period for principal is one and a half years, which will be ended in February 2005. The first installment payment will be due on the last working day of March 2005 and the following installment payment will be payable at the end of each month. Such long-term loan is secured by the mortgage of land and building and expanding berth construction. As at December 31, 2003 and as at March 31, 2004, such subsidiary has already made a withdrawal of Baht 80 million and Baht 200 million, respectively.

The above loan agreement contains certain covenants regarding the operations, financial ratios and financial position. The subsidiary thus has to comply with certain conditions contained in above loan agreement.

## 10. DEBENTURES

Debentures consist of the following:

	CONSOLIDATED		THE COMPANY ONLY	
	March 31, 2004 Baht'000	December 31, 2003 Baht'000	March 31, 2004 Baht'000	December 31, 2003 Baht'000
Debentures	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>

On September 17, 2003, the Company had proceeds from sales of debentures to institutional investors totaling Baht 4,000 million with detail as follows:

1. Secured amortizing debentures No. 1 series 1 of 1,800,000 units with total value of Baht 1,800 million with 3.5 years maturity, which principal will be equally redeemed semi-annually starting from March 17, 2005 and will be due in 2007. The interest rate is fixed at 3.5% per annum and payable semi-annually.

Secured amortizing debentures No. 1 series 2 of 1,450,000 units with total value of Baht 1,450 million with 4.5 years maturity, which principal will be equally redeemed semi-annually starting from September 17, 2007 and will be due in 2008. The interest rate is floated at the average of 6 month fixed deposit rates of 4 commercial banks plus 2.75% per annum and payable semi-annually.

2. Secured debentures No. 2 of 750,000 units with total value of Baht 750 million with 5 years maturity after issuing date of debentures, which will be due in 2008. The interest rate is floated at the average of 6-month fixed deposit rates of 4 commercial banks plus 3% per annum and payable semi-annually. Subsequently in April 2004, the Company has redeemed certain portion of such secured debentures. (see Note 17)

The debentures are secured by the mortgage of land, buildings, and machinery at current production capacity (see Note 6.1) and machinery, which will be acquired for production capacity expansion project. The proceeds from these debentures were used to repay a portion of long-term loans under restructuring debts agreement and/or investing in the expansion project.

## 11. EARNINGS PER SHARE

For the quarter ended March 31, 2004, the Company does not have any ordinary shares equivalent for calculation of diluted earnings per share.

For the quarter ended March 31, 2003, the Company has convertible debentures of Baht 2,400 million which the initial conversion price was lower than the average fair value of ordinary shares. Therefore the diluted earnings per share was presented.

## 12. FOREIGN EXCHANGE RISK MANAGEMENT

As at March 31, 2004 and December 31, 2003, assets and liabilities in foreign currencies consist of the following:

		<b>CONSOLIDATED AND THE COMPANY ONLY</b>	
		<b>March 31, 2004</b>	<b>December 31, 2003</b>
Assets	- US Dollar	10,026,059	12,601,271
Liabilities	- US Dollar	15,340,257	24,673,997
	- Italian Lira	51,770,995	51,770,995
	- Deutsche Mark	16,159	16,159
	- Yen	613,600	37,600
	- Euro	161,213	268,800
	- Pound Sterling	13,174	13,675
	- Swiss Franc	-	396

As at March 31, 2004, the Company entered into hedging contracts for existing assets and committed assets of US\$ 16 million which are due for receipt in 2004 and the Company entered into hedging contracts of EUR 1.7 million for liabilities which are due in 2004.

As at December 31, 2003, the Company did not enter into any hedging contracts to cover assets which are due for receipt in 2004 or for liabilities which are due in 2004.

### 13. TRANSACTIONS WITH RELATED PARTIES

The Company and subsidiaries have transactions with related parties. These related parties are investee companies having mutual directors or companies which directors are major shareholders and/or have common directors, and employees' savings cooperative. The financial statements reflect the effects of these transactions on the basis determined by the companies concerned and are in the ordinary course of business.

#### 13.1 Investments in subsidiary, associated, and related parties

March 31, 2004								
	Types of business	Relationship	Issued and paid up capital Baht'000	% of Shareholding	Cost Baht'000	Equity Baht'000	Consolidated Baht'000	Dividend Amount Baht'000
<b>Subsidiary companies</b>								
West Coast Engineering Company Limited	Maintenance services	Shareholder	75,000	99.99	75,000	99,939	-	-
Prachuap Port Company Limited	Deep - sea port services	Shareholder	400,000	51.00	204,000	701,220	-	-
<b>Related companies</b>								
Thai Coated Steel Sheet Company Limited	Producer of electro - galvanized coils	Shareholder	2,206,900	3.70	293,999	-	-	-
Thai Cold Rolled Steel Sheet Public Company Limited	Producer of cold rolled coils	Shareholder	10,703,000	8.77	938,125	561,621	561,621	-
					<u>1,511,124</u>	<u>1,362,780</u>	<u>561,621</u>	<u>-</u>
December 31, 2003								
	Types of Business	Relationship	Issued and Paid up Capital Baht'000	% of Shareholding	Cost Baht'000	Equity Baht'000	Consolidated Baht'000	Dividend Amount Baht'000
<b>Subsidiary companies</b>								
West Coast Engineering Company Limited	Maintenance Service	Shareholder	75,000	99.99	75,000	99,508	-	-
Prachuap Port Company Limited	Deep-sea port services	Shareholder	400,000	51.00	204,000	667,635	-	-
<b>Related companies</b>								
Thai Coated Steel Sheet Company Limited	Producer of electro - galvanized coils	Shareholder	2,206,900	3.70	293,999	-	-	-
Thai Cold Rolled Steel Sheet Public Company Limited	Producer of cold rolled Coils	Shareholder	10,703,000	8.77	938,125	561,621	561,621	-
					<u>1,511,124</u>	<u>1,328,764</u>	<u>561,621</u>	<u>-</u>

### 13.2 Loans and advances between the Company and subsidiary, associated, and related parties

	Balance as at December 31, 2003 Baht'000	Additions Baht'000	Repayments/ Settlements Baht'000	Balance as at March 31, 2004 Baht'000
<b>CONSOLIDATED</b>				
Short-term loan				
Related parties	<u>3,000</u>	<u>4,000</u>	<u>-</u>	<u>7,000</u>
Advances				
Related parties	<u>51</u>	<u>89</u>	<u>51</u>	<u>89</u>
Total	<u>3,051</u>	<u>4,089</u>	<u>51</u>	<u>7,089</u>
<b>THE COMPANY ONLY</b>				
Short-term loan				
Related parties	<u>3,000</u>	<u>4,000</u>	<u>-</u>	<u>7,000</u>
Advances				
Subsidiary company	11	2,589	11	2,589
Related parties	<u>51</u>	<u>89</u>	<u>51</u>	<u>89</u>
	<u>62</u>	<u>2,678</u>	<u>62</u>	<u>2,678</u>
Total	<u>3,062</u>	<u>6,678</u>	<u>62</u>	<u>9,678</u>

### 13.3 Business transactions

Transactions with related parties in the balance sheet are mainly as follows:

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
	March 31, 2004 Baht'000	December 31, 2003 Baht'000	March 31, 2004 Baht'000	December 31, 2003 Baht'000
Accounts and notes receivable – net				
Related parties	<u>1,050,767</u>	<u>1,782,141</u>	<u>1,036,046</u>	<u>1,765,818</u>
Other receivables				
Subsidiary company	-	-	344	423
Related parties	<u>141</u>	<u>118</u>	<u>-</u>	<u>-</u>
	<u>141</u>	<u>118</u>	<u>344</u>	<u>423</u>
Other current assets				
Subsidiary company	-	-	369	280
Related parties	<u>15,481</u>	<u>14,966</u>	<u>14,942</u>	<u>14,415</u>
	<u>15,481</u>	<u>14,966</u>	<u>15,311</u>	<u>14,695</u>
Other assets				
Related parties	<u>4,840</u>	<u>4,840</u>	<u>3,591</u>	<u>3,591</u>
Accounts payable				
Subsidiary company	-	-	15,076	23,467
Related parties	<u>7,747</u>	<u>18,909</u>	<u>7,728</u>	<u>18,799</u>
	<u>7,747</u>	<u>18,909</u>	<u>22,804</u>	<u>42,266</u>
Accrued expenses				
Subsidiary company	-	-	13,641	17,730
Related parties	<u>30,303</u>	<u>23,676</u>	<u>30,302</u>	<u>23,676</u>
	<u>30,303</u>	<u>23,676</u>	<u>43,943</u>	<u>41,406</u>

.../12

Transactions with related parties in the statement of income are mainly as follows:

	CONSOLIDATED		THE COMPANY ONLY	
	For the quarters ended March 31,			
	2004	2003	2004	2003
	Baht'000	Baht'000	Baht'000	Baht'000
Sales				
Related parties	<u>4,520,165</u>	<u>3,192,428</u>	<u>4,520,021</u>	<u>3,192,199</u>
Service income				
Related parties	<u>31,517</u>	<u>32,872</u>	<u>-</u>	<u>-</u>
Other income (before deduction of the related costs)				
Subsidiary company	-	-	1,071	1,111
Related parties	<u>55,287</u>	<u>50,356</u>	<u>55,201</u>	<u>48,833</u>
	<u>55,287</u>	<u>50,356</u>	<u>56,272</u>	<u>49,944</u>
Cost of sales				
Subsidiary company	-	-	84,407	96,334
Related parties	<u>30,710</u>	<u>39,145</u>	<u>30,710</u>	<u>39,145</u>
	<u>30,710</u>	<u>39,145</u>	<u>115,117</u>	<u>135,479</u>
Selling and administrative expenses				
Subsidiary company	-	-	6,664	8,920
Related parties	<u>57,845</u>	<u>73,551</u>	<u>56,863</u>	<u>72,581</u>
	<u>57,845</u>	<u>73,551</u>	<u>63,527</u>	<u>81,501</u>

The Company has policies to sell the products to shareholders' group and related parties at the same price sold to the third party.

Other income, which is fine charged for delayed payments, is fixed by the management at the funding cost. Other income from sale of scrap material is realized based on scrap weight and at the price determined by the Company.

Transportation expenses which are recorded as production cost are payable at the rates agreed in the transportation agreement based on cargo weight and distance.

Selling and administrative expenses which are freight expenses are payable at the rates agreed in the transportation agreement based on cargo weight and distance. Rent of the office and warehouse are as agreed under the lease agreement. Service charge for employees' accommodation is fixed on a year by year basis as agreed with the owner.

Prachuap Port Company Limited charges for port services rendered to the Company, related parties and third parties at the rates approved by the Ministry of Transportation.

West Coast Engineering Company Limited charges the fees for maintenance related services rendered to the Company at the rates agreed in the long-term maintenance service agreement and to related parties and third parties at terms and conditions normally applicable to transactions of the same nature.

#### 14. ADDITIONAL DISCLOSURE FOR QUALITY OF ASSETS

As at March 31, 2004, the Company and a subsidiary have customers who defaulted on payments. The following summarizes such accounts receivables aging:

	CONSOLIDATED		THE COMPANY ONLY	
	Number of Accounts	Amount Baht'000	Number of accounts	Amount Baht'000
3 - 6 months	2	23	-	-
6 - 12 months	1	6,207	1	6,207
Over 12 months	6	398,844	5	393,888
Total		<u>405,074</u>		<u>400,095</u>
Allowance for doubtful accounts recorded		<u>405,051</u>		<u>400,095</u>

As at December 31, 2003, the Company and a subsidiary have customers who defaulted on payments. The following summarizes such accounts receivable aging:

	CONSOLIDATED		THE COMPANY ONLY	
	Number of Accounts	Amount Baht'000	Number of accounts	Amount Baht'000
3 - 6 months	1	211	-	-
6 - 12 months	1	6,207	1	6,207
Over 12 months	6	398,844	5	393,888
Total		<u>405,262</u>		<u>400,095</u>
Allowance for doubtful accounts recorded		<u>405,051</u>		<u>400,095</u>

#### 15. BUSINESS SEGMENT INFORMATION

Business segment information for the Company and subsidiaries is as follows:

	Types of business	Revenues and other income		Net income (loss)		Assets employed	
		For the quarter ended March 31,				March 31,	December 31,
		2004	2003	2004	2003	2004	2003
		Baht'000	Baht'000	Baht'000	Baht'000	Baht'000	Baht'000
Sahaviriya Steel Industries Public Company Limited	Manufacturer of hot rolled coils	9,147,866	7,780,809	1,575,534	879,511	29,958,956	27,950,276
West Coast Engineering Company Limited	Maintenance Services	70,297	67,845	1,472	1,731	144,155	175,270
Prachuap Port Company Limited	Deep-sea port services	92,670	107,283	63,348	84,231	2,156,875	2,034,056
		9,310,833	7,955,937	1,640,354	965,473	32,259,986	30,159,602
Less Inter-company transactions		(140,591)	(151,736)	(30,490)	(48,090)	(876,545)	(858,092)
		9,170,242	7,804,201	1,609,864	917,383		
Less Minority interest in net income (loss)				(34,330)	(37,872)		
Net income (loss)				1,575,534	879,511		
Total assets						31,383,441	29,301,510

## **16. COMMITMENTS LETTERS OF GUARANTEE AND CONTINGENCIES**

- 16.1 The Company has capital commitments regarding the agreements for construction of plant, purchases of machinery and equipment including Pickling and Oiling Plant Project and related expenses amounting to approximately Baht 421.03 million, US\$ 54.89 million, and EUR 3.19 million as at March 31, 2004 and Baht 369.32 million, US\$ 56.63 million, and EUR 3.95 million as at December 31, 2003.

The Company has commitments to banks regarding the outstanding letters of credit amounting to approximately US\$ 20.26 million and EUR 35.41 million as at March 31, 2004 and US\$ 56.86 million and EUR 4.98 million as at December 31, 2003.

The two subsidiaries have capital commitments regarding capital expenditure and construction contract amounting to approximately Baht 447.16 million and Baht 451.96 million as at March 31, 2004 and December 31, 2003, respectively.

- 16.2 The Company and subsidiaries have letters of guarantee issued by banks on their behalf amounting to approximately Baht 94.7 million and Baht 94.4 million as at March 31, 2004 and December 31, 2003, respectively in the normal course of business.
- 16.3 On April 9, 2003, Pongprasasana Sub-district Office filed a lawsuit against the Company to claim for fee of usage of water from Bangsaphan Dam with the claim of approximately Baht 19 million. On May 30, 2003, the Company defended to the court that the Pongprasasana Sub-district Office has no legal power to administer the collection of water usage fee and has no right to file the lawsuit to the court. Currently, the lawsuit is pending in the Prachuapkirikan Provincial Court.
- 16.4 The Company was sued by Forestry Department in a civil case regarding the project of constructing road to the berth in the amount of approximately Baht 4.9 million which is pending in the court.

## **17. SUBSEQUENT EVENT**

As at April 23, 2004, the Company has redeemed secured debenture No.2 of 600,000 units with total face value of Baht 600 million in the amount of Baht 598 million. (see Note 10.2)