

**FORM 56-1**

**YEAR END 2005**

Thai Stanley Electric Public Company Limited

(Translation)

## **PART 1**

### **EXECUTIVE SUMMARY**

Thai Stanley Electric Public Company Limited (the **Company**) was established in 1980 to manufacture automotive light bulbs and lighting equipment using cutting-edge technology. The Company's three separate plants manufacture light bulbs, dies and molds, and lamps, respectively, and are at 29/3 Moo 1, Bangpoorn-Rangsit Road, Ban Klang Sub-district, Muang District, Pathumthani Province. The sub-plant is at 60/62 Navanakorn Industrial Estate, Moo 19, Klong One Sub-district, Klong Luang District, Pathumthani Province. The manufacturing process uses high technology machinery and the design works are computer-automated. The Company has its own research and development centre to meet the demand from domestic customers for new products. This is an integrated industrial business. The Company's efficient operations are guaranteed by certification from reputable international standards organisations, such as ISO 9001, ISO 9002, QS 9000 and ISO 14001.

The Company's local and international customer bases include automotive assembly plants and motorcycle assembly plants in Thailand and abroad, domestic distributors of spare parts and the other members of the Stanley Group in various countries. Competition in this industry is not strong; there are very few competitors as high technology is needed to operate an integrated business.

**Management:** In 1991, the Company was listed on the Stock Exchange of Thailand (**SET**). Its current registered capital is Baht 383.125 million divided into 76.625 million ordinary shares at a par value of Baht 5 each, which are all issued and paid up. The Company expanded its business by entering into a joint investment to establish new companies in other countries, e.g. Lao Stanley Co., Ltd. in Laos, Vietnam Stanley Electric Co., Ltd. in Vietnam, P.T. Indonesia Stanley Electric in Indonesia and Stanley Electric Engineering India PVT Ltd.in India. The international technical support contract to which the Company is a party partly contributes to the enrichment of the Company's manufacturing intelligence. The Company also has an equity stake in other local automotive companies. The Company's management comprises the Board, an Executive Committee and an Audit Committee. In the past, no change in executive members has had a materially adverse impact on the Company's operations.

**Accounting:** PricewaterhouseCoopers ABAS Limited has always been the Company's auditor. Each auditor's report has been prepared on a clear basis with the opinion that there are no significant weaknesses in the Company's internal control system.

## PART 2

### Security Company

Name Thai Stanley Electric Public Company Limited Type of Business Manufacturer of automotive lighting equipment and mold Address 29/3 M.1 Bangpoon-Rungsit Road, Banklang, Muang Pathumthanee 12000 Public Registered No. Bor. Mor. Jor.150 Home Page (if have) [www.thaistanley.com](http://www.thaistanley.com)  
Tel : 0-2581-5462 (40 LINES) Fax : 0-2581-5397

#### 1. Risk factors

Although Thai Stanley Electric Public Company Limited does not have any risk in production area, because the Production Technology has been transferred from the Stanley Electric Co., Ltd., and also does not have any risk in sales area, because the Lighting Equipment products from Thai Stanley Electric Public Company Limited will receive the production copyright from the Stanley Electric Co., Ltd., which will certainly be guaranteed to have purchasing order from the customers.

**Foreign currency exchange rate risk** exposure relates to importing of raw materials in Foreign currencies and certain export sales in foreign currencies. The business transactions are generally on a short-term period, 1 to 3 month terms, and foreign currencies in respect of imported materials are generally net exposure with trade export. The currency exchange risk of the Company occurs mostly in Japanese Yen and US dollars.

**Interest rate risk** arises when interest rate increase or decrease.

**Credit risk** arises when derivative instruments are used or sales are made on deferred credit terms.

The objectives of using financial instruments are to reduce the uncertainty over future cash flows arising from movements in exchange rates, and to manage the liquidity of the cash resources. Foreign currency forward contracts are taken out to manage the currency risks in sales and purchase. Decisions on the level of risk undertaken are confined to the Management Committee which has established limits by transaction type and by counterparty. The current policy established by the Management Committee is unchanged from that of the prior year which is to enter into foreign currency forward contracts for approximately 50% of net foreign currency liabilities.

## **2. Nature of business**

### **2.1 Background**

The Company was first registered as a limited company on 30 May 1980. It manufactured, imported and distributed automotive light bulbs and lighting equipment. It was founded by a Thai-Japanese joint venture between Seng Nguan Hong (Sittipol) Company Limited (currently known as The Sittipol 1919 Company Limited) and Stanley Electric Co., Ltd. of Japan. The Company operates three separate plants, producing light bulbs, dies and moulds, and lamps.

On 10 May 1991, the Company was listed on the SET, and the Company's shares began being traded on the SET under the abbreviation 'STANLY'. In the same year, the Company founded its own research and development centre with promotional support from the Board of Investment (BOI). This centre is mainly engaged in researching and developing products for the Company.

In July 1993, the Company was converted into a public limited company. It entered into a joint venture in establishing new companies: Lao Stanley Co., Ltd. and Vietnam Stanley Electric Co., Ltd. It also took shares in various companies, such as Inoue Rubber (Thailand) Public Company Limited, Sum Hitechs Co., Ltd. Sirivit Stanley Co., Ltd., Top Hightech (Thailand) Co., Ltd. and Lumax Industries Limited of India. In addition, the Company formed a technical support alliance with Electro Polymers (PVT) Ltd. of Pakistan and Unitech Machines Limited of India.

In June 2001, the Company entered into a joint venture with Stanley Electric Co., Ltd. of Japan to establish a new company named Stanley Electric Engineering India PVT Ltd. in New Delhi, India. The main objective in forming this joint venture was to serve the growing automotive industry and to make the Company a hub of industrial technology and development in the Stanley Group. The new company designs automotive lamps and manufactures automotive molds. Its registered capital is equivalent to Baht 55.7 million. The Company's investment in this joint venture is equivalent to Baht 5.57 million, or 10% of the total capital. This new company is now operating.

In September 2001, the Company co-invested with Stanley Electric Co., Ltd. of Japan, Asian Honda Motor Co., Ltd., PT. Astra Honda Motor and PT. Honda Prospect Motor to establish another new company, PT. Indonesia Stanley Electric, in Indonesia. The objective of this Indonesian company is to manufacture and sell lighting equipment for use in motorcycles and motorcars, and automotive molds. Its registered capital is US\$ 7,500,000. The Company's contribution to the new company is 10% of the total capital, i.e. US\$ 750,000. This new company is now operating.

In May 2002, the Company acquired 78,000 shares worth Baht 11.69 million in Sum Hitechs Co., Ltd. with the aim of expanding the production of component parts.

The Company purchased 54,000 shares in Stanley Electric Engineering India PVT Ltd. for Baht 10.7 million under a rights issue to maintain its stake in that company at the original level of 10%.

In August 2002, the Company purchased new shares in Vietnam Stanley Electric Co., Ltd. for US\$ 400,000 under a rights issue to maintain its stake in that company at the original level of 20%.

In October 2001 and January 2003, the Company acquired a total of 12 rai 1 ngarn of land in the Navanakorn Industrial Estate, Zone 3 in Klong One Sub-district, Klong Luang District, Pathumthani Province for Baht 54.41 million. On this land a new facility was built to accommodate the Company's growing production capacity, and became operational in October 2003.

In May to September 2005, the Company purchased adjoining land of 9 rai 2 ngarn near its existing facility for Baht 100.74 million, as part of the expansion project.

Management: Since the Company's initial establishment and subsequent listing on the SET, the original management team has continued in office without any material change in management policy.

## 2.2 Nature of Business of the group Company

The company has 2 subsidiary and related company that manufacture of Lighting Equipment as follow:

1. Lao Stanley Company Limited	Shareholding	50 %
2. Vietnam Stanley Electric Company Limited	Shareholding	20 %

## 2.3 Income Structure

The company currently manufactures and market auto bulb, automotive lighting equipment and dies & molds. The business segment information for dies & molds, which is different from auto bulb, automotive lighting, has not been separately reported as the sales of this segment represent only 4.76% of total sales.

Revenues	31 March 2004 (2 Month)		31 March 2005		31 March 2006	
	Million	%	Million	%	Million	%
Local Sale Revenues	978.98	87.48	5,918.84	84.23	7,360.37	85.90
Export Sale Revenues	108.43	9.69	950.81	13.53	955.15	11.15
Total Sale Revenues	1,087.41	97.17	6,869.65	97.76	8,315.52	97.05
Share of net profit from investment in associated companies	7.95	0.71	36.82	0.52	49.37	0.57
Gain on exchange rate	0.72	0.06	12.71	0.18	42.35	0.49
Other income	23.04	2.06	108.08	1.54	161.32	1.89
Total revenues	1,119.12	100.00	7,027.27	100.00	8,568.56	100.00

### 3. Conduct of business

#### 3.1 Nature of products

The Company's core business is to manufacture and sell products in a single sector, both locally and abroad, namely lighting equipment for use in motorcars, motorcycles and other vehicles. There are two core products: light bulbs and lamps. In addition to the core products, the Company also manufactures all kinds of dies and molds in support of the core business and for sale to other industrial operators. The details of the dies and molds segment are not identified in this filing because their sales account for only 4.76% of the Company's total sales.

The Company's customers include manufacturers and distributors of motorcycles and motorcars (passenger cars and commercial vehicles). The Sittipol 1919 Co., Ltd. is the Company's dealer in automotive spare parts.

#### Certificate of Promotion

The company received investment promotion from The Board Of Investment total 16 certificates of promotion as follows :

- (1) Manufacture Automotive Bulbs (Certificate of Promotion No. 1038/Sor. Aor./2533)
- (2) Manufacture Automotive Lamps (Certificate of Promotion No. 1044/2527)
- (3) Manufacture Die & Mold (Certificate of Promotion No. 1214/Sor. Aor./2530)
- (4) Manufacture Die & Mold (Certificate of Promotion No. 1078/Sor. Aor./2533)
- (5) Manufacture of Automotive Lighting Equipment and parts (Certificate of Promotion No. 1279/Sor. Aor./2533)
- (6) Research & Development of Automotive Lighting Equipment (Certificate of Promotion No. 1176/2534)
- (7) Manufacture Die & Mold (Certificate of Promotion No 1767/2538)
- (8) Manufacture of automotive Lighting Equipment, Machine or Electrical (Certificate of promotion No. 5675/2539)
- (9) Manufacture Electronic Bulbs (Certificate of promotion No. 1016/2541)
- (10) Manufacture Engineering Plastic parts (Certificate of Promotion No. 1017/2541)
- (11) Manufacture of automotive Lighting Equipment, Machine or Electrical (Certificate of Promotion No. 4290/2541)
- (12) Manufacture of automotive Lighting Equipment, Machine or Electrical (Certificate of promotion No. 4573/2541)
- (13) Manufacture Die & Mold (Certificate of Promotion No 1096/2543)
- (14) Electronic Design (Certificate of promotion No. 1294 (2)/2545)
- (15) Manufacture and repair Die & Mold (Certificate of promotion No. 1539 (2)/2545)
- (16) Manufacture of Automotive Parts (Certificate of Promotion No.1545 (2)/2546)

In conducting its business in Thailand, the Company enjoys tax incentives under five certificates of promotion, certificate nos. 10, 13, 14, 15 and 16, granted by the BOI as follows:

1. Certificate of Promotion No. 1017/2541 was issued on 15 January 1998 for the Company's business of manufacturing engineering plastic parts, i.e. headlamps under Category 6.12: Manufacture of plastic products or plastic laminated products. The privileges and benefits under Certificate of Promotion No. 1017/2541 include the following:

1. The Company is exempt from import duties on the machinery, as approved by the BOI.
2. The Company is exempt from corporate income tax on the net profit derived from the operation of the promoted business for eight years from the date that income is first derived from the business. If any loss is incurred during the exemption period, the Company may set off that loss against the net profit which accrues in one or more years at any time within five years after the exemption period ends.
3. The dividend derived from the promoted business must not be included when computing taxable income while the Company remains tax exempt.
4. The Company is exempt from import duties on any raw materials and necessary items imported for production and export for one year from the date that they are first imported.
5. The Company is exempt from import duties on any things imported for re-export for one year from the date that they are first imported.
6. Assessable income will be deducted at 5% of the increased income from exports in the previous year for 10 years from the date that the income accrues.

2. Certificate of Promotion No. **1096/2543** was issued on 8 March 2000 for the Company's business of Die & Mold under Category 4.11: Manufacture of Machine or equipment for the industrial. The privileges and benefits under Certificate of Promotion No. 1096/2543 include the following:

1. The Company is exempt from import duties on the machinery, as approved by the BOI.
2. The Company is exempt from import duties on any raw materials and necessary items imported for production and export for one year from the date that they are first imported.
3. The Company is exempt from corporate income tax on the net profit derived from the operation of the promoted business for eight years from the date that income is first derived from the business.
4. Assessable income will be deducted at 5% of the increased income from exports in the previous year for 10 years from the date that the income accrues.

3. Certificate of Promotion No. **1294 (2)/2545** was issued on 2 May 2002 for the Company's business of Prototype Design Machine or Equipment for the industrial under Category 5.7: Electronic Design. The privileges and benefits under Certificate of Promotion No. 1294(2)/2545 include the following:

1. The Company is exempt from import duties on the machinery, as approved by the BOI.
  2. The Company is exempt from corporate income tax on the net profit derived from the operation of the promoted business not exceeding 100% of investment exclusive cost of Land and working capital for eight years from the date that income is first derived from the business.
  3. The dividend derived from the promoted business must not be included when computing taxable income while the Company remains tax exempt.
4. Certificate of Promotion No. **1539 (2)/2545** was issued on 30 August 2002 for the Company's business of manufacturing Die & Mold and machine or equipment for repair Die & Mold of the industrial under category 4.2 : Manufacture of machine and equipment. The privileges and benefits under Certificate of Promotion No. 1539(2)/2545 include the following:
1. The Company is exempt from import duties on the machinery, as approved by the BOI.
  2. The Company is exempt from corporate income tax on the net profit derived from the operation of the promoted business not exceeding 100% of investment exclusive cost of Land and working capital for eight years from the date that income is first derived from the business. If any loss is incurred during the exemption period, the Company may set off that loss against the net profit which accrues in one or more years at any time within five years after the exemption period ends.
  3. The dividend derived from the promoted business must not be included when computing taxable income while the Company remains tax exempt.
  4. The Company is exempt from import duties on any raw materials and necessary items imported for production and export for one year from the date that they are first imported.
5. Certificate of Promotion No. **1545 (2)/2546** was issued on 7 October 2003 for the Company's business of Manufacturing of Automotive Parts. The privileges and benefits under Certificate of Promotion No. 1539(2)/2545 include the following:
1. The Company is exempt 50% from import duties on the machinery especially the import duties not less than 10 %, as approved by the BOI.
  2. The Company is exempt from corporate income tax on the net profit derived from the operation of the promoted business not exceeding 100% of investment exclusive cost of Land and working capital for three years from the date that income is first derived from the business. If any loss is incurred during the exemption period, the Company may set off that loss against the net profit which accrues in one or more years at any time within five years after the exemption period ends.
  3. The dividend derived from the promoted business must not be included when computing taxable income while the Company remains tax exempt.
  4. The Company is exempt from import duties on any raw materials and necessary items imported for production and export for one year from the date that they are first imported.
  5. The Company is exempt from import duties on any things imported for re-export for one year from the date that they are first imported.

## 3.2 Market and competition

### a. Policy and market

Given the limited competition in this industry, the Company's strategy is to manufacture high-quality products at a reasonable price. The pricing policy is based on the cost of manufacturing with a standard profit margin. The Company also has a policy of expanding additional lines of automotive products to meet the demand in the automotive market.

#### Distribution channels and customer base

##### 1. Local channels

- 1.1 Original equipment market: The products are sold directly to local assembly plants in Thailand. Usually, they are used in the manufacturing process or kept as spare parts.
- 1.2 Replacement equipment market: The products are sold through the Company's dealer, The Sittipol 1919 Co., Ltd. In this market, the products are as replacements.

##### 2. International channels

- 2.1 Original equipment market: The products are sold directly to local assembly plants abroad. Usually, they are used for manufacturing or kept as spare parts.
- 2.2 Inter-member market: The products are sold abroad to each international member of the Stanley Group which engages in automotive assembly. This is to enable those members to assure the availability and quality of their stock. Deliveries are made on their orders from time to time on the basis of a single source. That means the Company is the sole manufacturer and distributor of these kinds of products for the Stanley Group worldwide. This creates economies of scale and efficient cost control. For some members in the Stanley Group, if only a few items are required and it is not cost-effective to order them directly from another manufacturer, an occasional delivery from the Company is a better alternative.

Currently, international sales account for 11.15% of the Company's total sales. The majority of foreign customers are in Asia, Europe and the US.

### b. Industry and competition

In the local automotive lighting equipment industry, the competition is limited with very few market players. Basically, there are only two manufacturers in Thailand, i.e. the Company and Thai Koito Co., Ltd. However, the Company is the larger manufacturer and its market share is far larger than that of its sole competitor. In terms of competition, the Company definitely has the edge over its competitor because the Company's business integrates research and development, design, moulding, manufacturing, assembly and quality control. As regards cost, the Company can take advantage of its being a listed company by obtaining lower cost financing through the SET, compared with its competitor.

The barriers to entry are high for the following reasons:

1. Significant investment is needed to acquire the costly machinery, tools and devices, including the equipment for quality testing.
2. The specialist training for workers is expensive and time-consuming.
3. The business naturally relies on specialised technology and must conform strictly to each country's safety standards.
4. The Company benefits greatly from the modern technology and valuable experience transferred from its joint venture partner, Stanley Electric Co., Ltd. of Japan, thereby increasing customers' confidence in the Company.

Because there are so few operators in this industry, the Company has the bargaining power over its customers at a particular level. However, the course of business is still based on the facts, especially, the basis of the actual cost of manufacturing plus standard profit.

Despite the limited number of operators in this industry, there are many suppliers. The Company has a non-monopoly policy with suppliers so that it can negotiate for the lowest price possible.

*Critical factors in the Company's success and strengths*

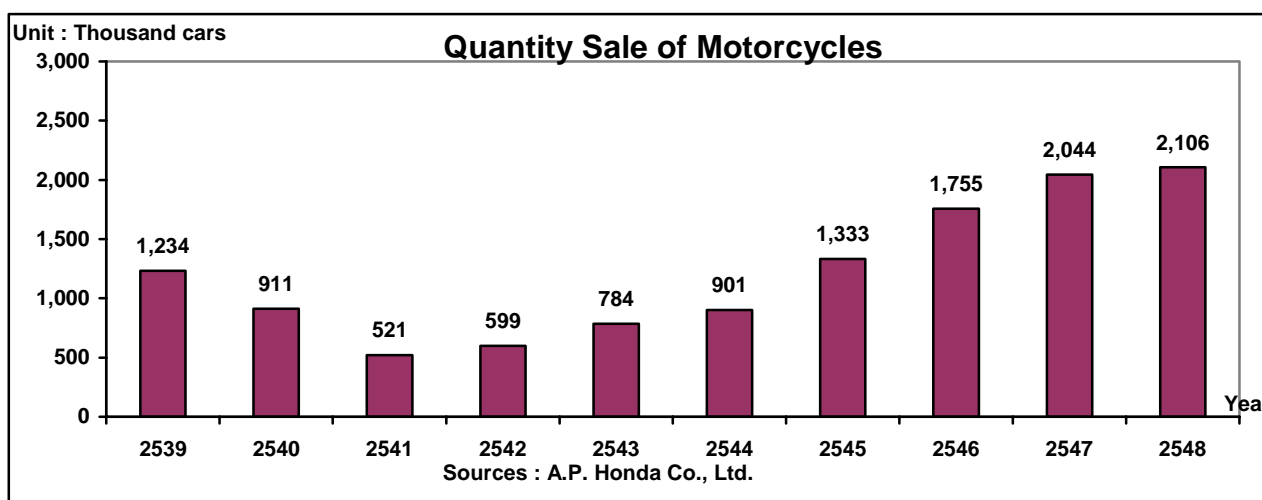
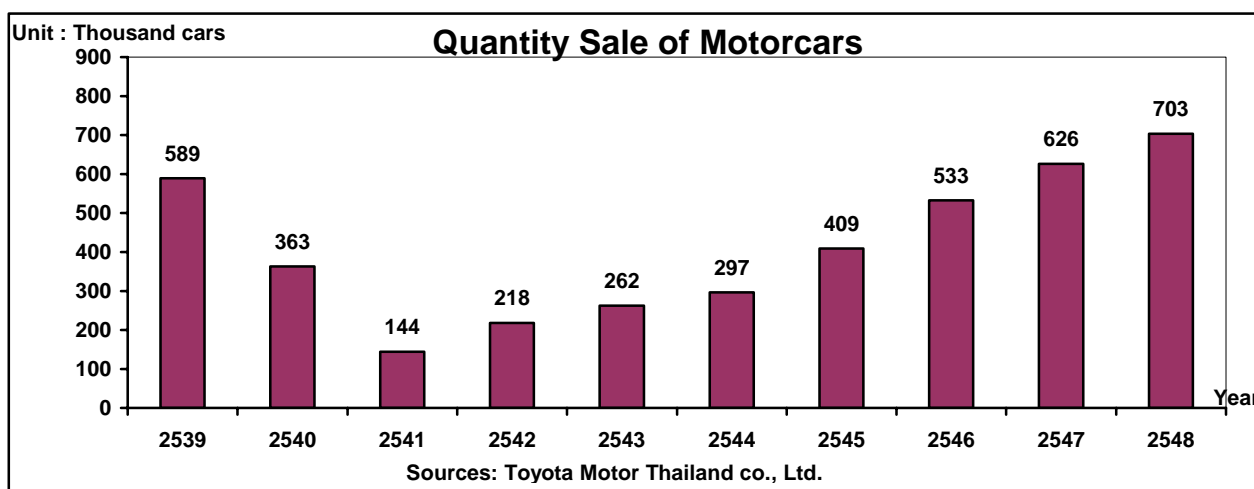
The Company's strengths and critical success factors include the following:

- 1) Being an integrated business
- 2) Having a competitive edge over its competitor and possessing a substantial market share
- 3) Having very few competitors
- 4) Using advanced facilities due to the parent company's technical support and its own research and development centre
- 5) Having human resources of great potential and extensive experience
- 6) Being able to obtain low cost financing through the SET
- 7) Having a large customer base
- 8) Having bargaining power over its suppliers

Competition in the automotive lighting industry is rather low because the business relies significantly on high technology and huge investment in the facilities needed. As a result, there are very few participants in the market. The Company is the first and only operator which uses the cutting-edge integrated technology in this industry. Its local customers include all Japan-based automotive assemblers and some of the Europe- or America-based car companies. As a result, the Company's competitiveness goes far beyond its competitor, which has only recently penetrated the market. As a company listed on the SET, the Company can obtain low cost financing, thus substantially enhancing its price competitiveness.

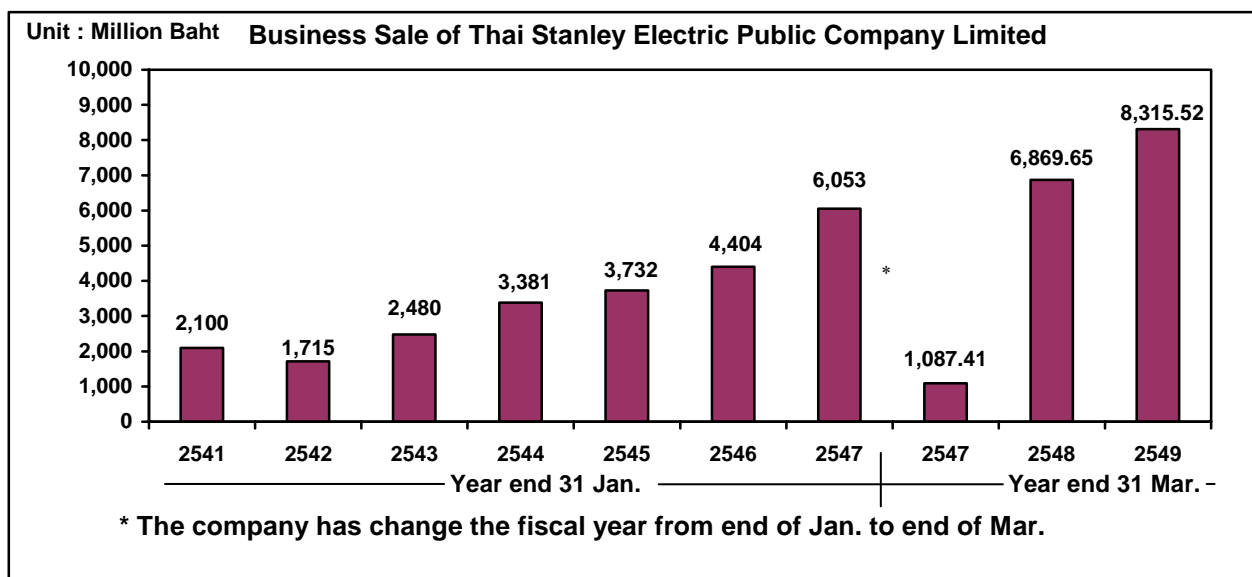
The automotive industry plays an essential role in the country's overall industrial development. Structurally, the automotive industry is linked to a wide range of other industries. That starts with basic materials, such as steel, plastic, rubber, glass and animal hides and the manufacture of automotive parts. The final process ends with assembly. Over the past decade, Thailand's automotive industry has improved substantially, making Thailand the largest manufacturer of

vehicles and component parts in Asia. The growth of the automotive industry over the past decade can be classified by types of vehicles: motorcars and motorcycles.



Over the past 10 years, in addition to the increasing domestic demand (sales), the export segment has also grown rapidly.

Naturally, the Company's business aims at the OEM market while the replacement market is its secondary channel. Therefore, the growth of the Company's business over the past decade has been in line with the direction of the country's automotive industry.



### 3.3 Supplies and services

#### a. Manufacturing and input

The Company has three manufacturing plants as follows:

1. Light bulb plant: Production = 90 million pieces per year

Part of the production is to meet customers' orders. The other portion supplies the Company's lamp plant.

2. Lamp plant: Production = 40 million pieces per year

All production is to meet customers' orders.

3. Die and mould plant: Production = 400 pieces per year

Part of the production is to meet customers' orders. The other portion supplies the Company's lamp plant.

The Company currently acquires 15% of its materials from local suppliers and 25% from offshore suppliers. Fortunately, their price has not changed significantly over the years. Details of local and foreign acquisition of materials over the past three years are as follows:

Sources	31 March 2004 (2 Month)		31 March 2005		31 March 2006	
	Amount	%	Amount	%	Amount	%
Local	460.40	78.72	2,799.30	75.55	3,295.85	74.83
Foreign	124.44	21.28	905.89	24.45	1,108.47	25.17
<b>Total</b>	<b>584.84</b>	<b>100.00</b>	<b>3,705.19</b>	<b>100.00</b>	<b>4,404.32</b>	<b>100.00</b>

The majority of materials are supplied by Stanley Electric Co.,Ltd. of Japan and other company members in the Stanley Group for the following reasons:

1. The material has characteristic features and can be acquired in large quantities from a single source to save costs. Conversely, it is not cost-effective for the Company itself to manufacture the material in Thailand because of the low demand.
2. A large order is necessary for cost-effectiveness. However, local demand is not large enough. In other words, a small order increases the cost. The Company has therefore opted to buy only essential material locally out of the total quantities obtained from Stanley Electric Co., Ltd. of Japan. This is to reduce the cost of procurement and the risk of dead stock.
3. A single source provides the material on the basis of the alliance among the members of the Stanley Group, resulting in economies of scale. The material is distributed to all other members worldwide.

The price of material provided by Stanley Electric Co., Ltd. of Japan and the Stanley Group is fixed at a reasonable and favourable level. The pricing formula is the actual cost plus administrative expenses. If some kinds of general material can be acquired from other suppliers on favourable conditions, the Company has absolute discretion to proceed with that procurement without abiding by any commitments within the Stanley Group.

*b. Environmental impacts*

The Company's overall operations do not adversely affect the environment. For the painting process, a water shield and sludge disposal system are in place to prevent dust in the air. In this regard, the Company has engaged Management and Development for Environmental Conservation Public Company Limited, which holds a waste disposal licence, to dispose of and treat the waste. Consequently, no pollution is emitted outside the Company's facilities. That means the environment suffers no impact from the Company's operations.

In all circumstances, the Company recognises the importance of environmental conservation. It has campaigned for environmental management and was awarded ISO14001 certification on 2 July 2002. On 16 November 2004, the Company received an award under the Green Plant Project in commemoration of the 72nd Anniversary of Her Majesty the Queen.

### **3.4 Undelivered Projects**

- None -

#### 4. Research and development

With support from the BOI, the Company established its research and development centre in 1991 to develop its own products and technology rather than depending on foreign suppliers. The Company's research and development centre is in alliance with the counterparts of the Company's customers both locally and abroad with the aim of jointly creating innovative and environmentally-friendly products. The Stanley Group and its customers worldwide are interconnected through LAN and WAN, making communication speedy and efficient.

The Company has been consistently focused on the expansion of its research and development function. Now, the Company's research and development centre can serve the demand in Asia, Europe and America. The Company uses the CAD/CAM programme to automate design, and the PDM programme (Product data management) manages the data on design and manufacturing. A value engineering and analysis system have been adopted to enhance cost effectiveness. The Company has invested a lot in developing its mechanical capacity and improving human resources, as well as acquiring cutting-edge manufacturing technology with a view to maximising its productivity and competence.

Research & Development expense as follow:

2005	112.64	Million Baht
2004	135.77	Million Baht
2003	109.57	Million Baht

#### 5. Assets for used in Business Operation

Type of Asset	Ownership	Value (Million Baht)	Obligation
1. Land Total 90 rai 2 ngarn 84.5 square wah	owner	464.29	-
2. Net Building Machine and Equipment	owner	2,142.43	-

Total assets are at 29/3 Moo 1, Bangpoon-Rangsit Road, Ban Klang Sub-district, Muang District, Pathumthani Province and have land 12 rai 100 square wah is at Navanakorn Industrial Estate 3, Klong One Sub-district, Klong Luang District, Pathumthani Province (include in land already)

##### *Investment policy relating to subsidiaries and associates*

On 31 March 2006, the Company's investments in its subsidiaries and associates in the automotive lighting business totalled Baht 152.33 million, or 2.74% of its total assets. The Company expects to increase its investments in this business in the next three years. However, the combination of actual and future investments is capped at 10% of its total assets.

## 6. Future plans

Despite the negative impact of economic factors such as the rising cost of materials and rising interest rates, creating an economic recession, prospects for the export segment are still positive. The Company has taken account of the situation, focusing on improving productivity and the quality of its products to reduce the rate of defects to zero. Intense efforts are also being applied to:

- (i) increase productivity by expanding the manufacturing facilities for maximum efficiency;
- (ii) reduce the cost of materials; and
- (iii) enhance profitability by adjusting various structures, in particular, relating to health, safety and welfare.

## 7. Legal Disputes

-None

## 8. Structure of holding and management

### 8.1 Securities of Company

The Company has paid up capital of 383.125 million Baht and fully paid up, divided into 76,625,000 ordinary shares each of baht 5 per share.

### 8.2 Shareholders

Top ten shareholder as at June 10, 2005.

	Number of Share (Million share)	% of holding
1. STANLEY ELECTRIC CO.,LTD	22.95	29.95%
2. LEEISSARANUKUL FAMILY GROUP	22.29	29.47%
3. MORGAN STANLEY & CO INTERNATIONAL LIMITED	1.94	2.53%
4. RAFFLES NOMINEES(PTE) LIMITED	1.65	2.15%
5. AMERICAN INTERNATIONAL ASSURANCE COMPANY LIMITED-AIA5E	1.65	2.15%
6. SOMERS (U.K) LIMITED	1.53	2.00%
7. ABERDENGROT FUND	0.92	1.19%
8. THAI NVDR CO.,LTD.	0.88	1.15%
9. AMERICAN INTERNATIONAL ASSURANCE CO.,LTD. – AIA2	0.63	0.82%
10. MR.KENNETH RUDY KAMON	0.61	0.79%

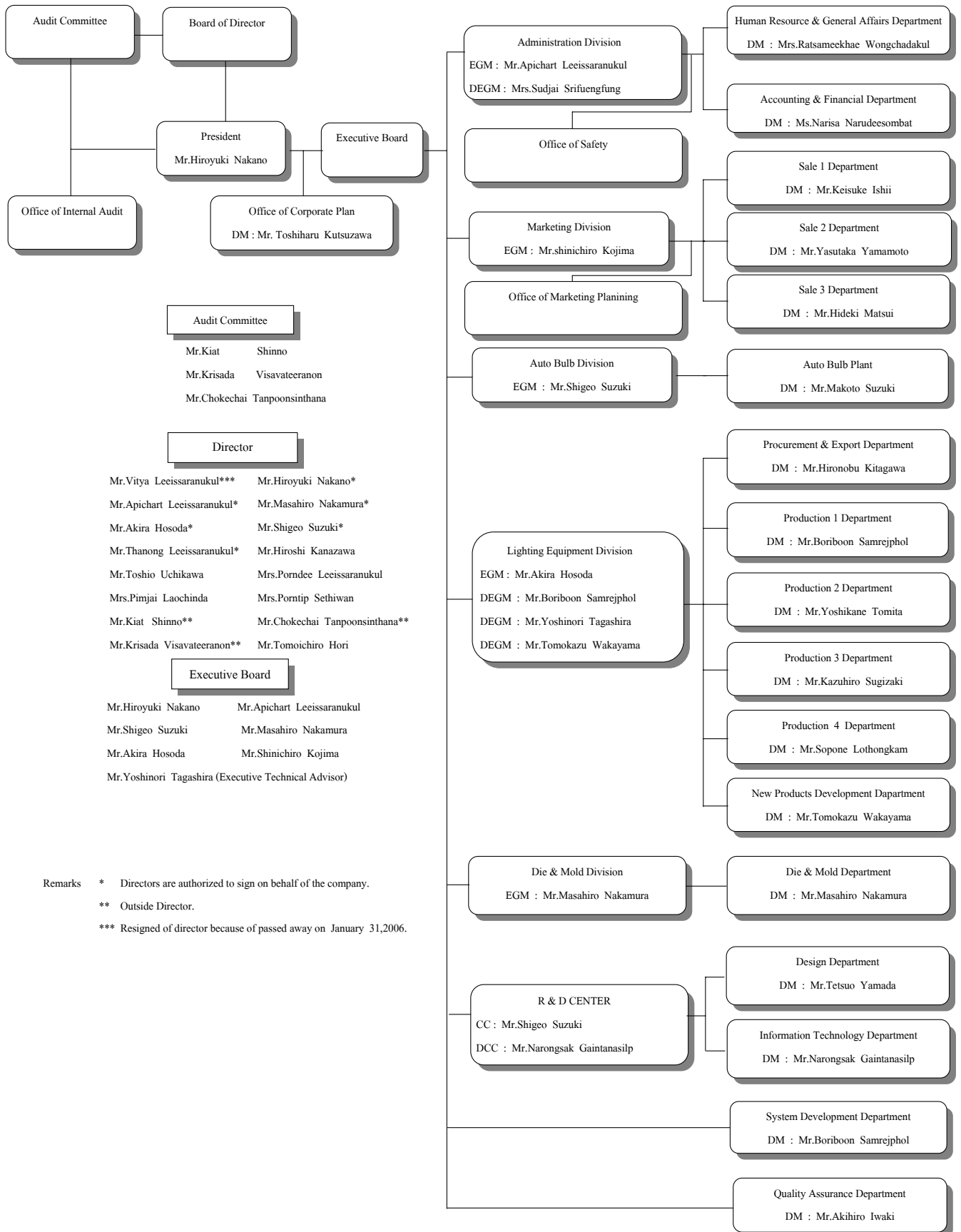
### 8.3 Dividend payment policy

The dividend payment policy of the company is that the rate of dividend payment of the Company is not less than 30 per cent of the net profits deduction of tax that paid on next year.

The dividend payment policy of Lao Stanley Co., Ltd., the subsidiary company is not less than 5 % of capital.

## 9. Management

### 9.1 Management Structure



## 1. Directors

1. Mr. Vitya Leeissaranukul	Chairman *
2. Mr. Tomoichiro Hori	Vice Chairman
3. Mr. Hiroyuki Nakano	President
4. Mr. Apichart Leeissaranukul	Executive Vice President
5. Mr. Masahiro Nakamura	Executive Director
6. Mr. Akira Hosoda	Executive Director
7. Mr. Shigeo Suzuki	Director
8. Mr. Thanong Leeissaranukul	Director
9. Mrs. Pimjai Laochinda	Director
10. Mrs. Pornthip Sethiwan	Director
11. Mrs. Porndee Leeissaranukul	Director
12. Mr. Toshio Uchikawa	Director
13. Mr. Hiroshi Kanazawa	Director
14. Mr. Kiat Shinno	Independent Director/Chairman Audit Committee
15. Mr. Krisada Visavateeranon	Outside Director/Audit Committee Member
16. Mr. Choekchai Tanpoonsinthana	Independent Director/Audit Committee Member

Secretary : Mr. Apichart Leeissaranukul

### Authority of the Board of Directors

From the company's regulations, the authority of the Board of Directors are to take responsible for the company's business management, making decision and to supervise the business within the scope and law, as well as the company's objective and regulations, except the following topics that have to get approval from shareholders meeting.

1. anything that has been stated by law has to get the shareholders' conclusion.
2. conduction of any related items that meet the criteria of getting permission from shareholders' meeting.

Remark \* Resigned of director because of passed away on January 31,2006.

## 2. Management

1. Mr. Hiroyuki Nakano	President
2. Mr. Apichart Leeissaranukul	Executive Vice President
3. Mr. Masahiro Nakamura	Executive Director
4. Mr. Akira Hosoda	Executive Director
5. Mr. Shigeo Suzuki	Director
6. Mr. Shinichiro Kojima	Executive General Manager
7. Mr. Yoshinori Takashira	Executive Technical Advisor

### Authority of the Executive board

To specify the company's business management policy and direction, as well as to audit the company's business result.

### 3. Audit Committee

1. Mr. Kiat Shinno	Independent Director/Chairman Audit Committee
2. Mr. Krisada Visavateeranon	Outside Director/Audit Committee Member
3. Mr. Chokechai Tanpoonsinthana	Independent Director/Audit Committee Member

Authority of audit committee are as follow

1. To review the Company's financial reports for their accuracy and completeness.
2. To review that the Company has effective and suitable internal controls and internal audit systems.
3. To review that the Company will perform in compliance with the law governing Securities and the regulations of The SET and any relevant laws concerning the Company's business.
4. To consider, select, nominate and suggest compensation to the Company's auditor.
5. To consider the disclosure of company information where there is an occurrence of related particulars or particulars that are in conflict of interest for their validity and completeness.
6. To prepare report concerning its supervision of the business affairs and disclosure in the annual report of the company. Such a report shall be signed by the chairman of the Audit Committee and comprises.
7. To perform any other functions as assigned by the Board of Directors with the consent of the Audit Committee.

#### 9.2 the selection of Director and management

The factors of appointing the company's director is to let the shareholders' meeting elect the director from the shareholder or other person who is nonshareholder, by the rule of 1 shareholder equal to 1 share per 1 vote, and the shareholder can not divide or share neither more or less of his/her vote for director's election to anyone.

#### 9.3 Remuneration for the company's management

##### 1. Remuneration in cash

##### A. Remuneration for 16 persons of director at the total of 2.85 million baht.

Name	Remuneration Director	Name	Remuneration Director
1. Mr. Vitya Leeissaranukul*	150,000 Baht	9. Mr. Thanong Leeissaranukul	180,000 Baht
2. Mr. Hiroyuki Nakano	180,000 Baht	10. Mrs. Pimjai Laochinda	180,000 Baht
3. Mr. Apichart Leeissaranukul	180,000 Baht	11. Mrs. Pornthip Sethiwan	180,000 Baht
4. Mr. Masahiro Nakamura	180,000 Baht	12. Mrs. Porndee Leeissaranukul	180,000 Baht
5. Mr. Akira Hosoda	180,000 Baht	13. Mr. Kiat Shinno	180,000 Baht
6. Mr. Shigeo Suzuki	180,000 Baht	14. Mr. Krisada Visavateeranon	180,000 Baht
7. Mr. Toshio Uchikawa	180,000 Baht	15. Mr. Chockchai Tanpoonsinthana	180,000 Baht
8. Mr. Tomoichiro Hori	180,000 Baht	16. Mr. Hiroshi Kanazawa	180,000 Baht

Remark \* Resigned of director because of passed away on January 31,2006.

B. Remuneration for 7 persons of executive board and the management board and the management at the total of 40.30 million baht, and has been identified as monthly salary and bonus.

C. Remuneration for 4 persons of audit committee member and chairman at the total of 0.88 million baht.

Name	Type of Remuneration	Amount
1. Mr. Vitya Leeissaranukul*	Chairman	400,000 Baht
2. Mr. Kiat Shinno	Chairman Audit Committee	240,000 Baht
3. Mr. Krisada Visavateeranon	Audit Committee Member	120,000 Baht
4. Mr. Chockchai Tanpoonsinthana	Audit Committee Member	120,000 Baht

Remark \* Resigned of director because of passed away on January 31,2006.

2. other Remuneration

- none

3. Auditor's remuneration

A. Audit fee

The last year company paid for the audit fee 1.49 million bath.

B. Other service fee

Company paid for the other compensation that were review of promotional privileges of Lighting Equipment and Prototype design 0.20 million baht, other consultant that did not concern about audit accounts total amount - million baht.

(4) Business Controlling

The Board of Directors recognises the significance of corporate governance principles that enhance transparency and investor confidence amongst shareholders, investors and all related parties. As a result, the Board of Directors considers it appropriate to establish a corporate governance policy covering the following principles of Corporate Governance as follows:

- fair and equal rights of shareholders and interested parties
- Board of Directors - structure, roles, responsibilities, duties and independence
- information disclosure and transparency
- control and risk management
- business ethics

Set out below is the Company's corporate governance policy.

1. Drafting of the handbook on corporate governance policy and principle

- The essence of the Company's management policy is to achieve customer satisfaction by applying the planning-operating-inspecting cycle method to improve all of its units and departments in relation to quality control, cost-effectiveness, delivery services, research and development, safety measures and public relations.
- Management and quality control is a matter of concern for the Company's annual policy.
- The Management and quality control policy will be announced to the public.

2. Recognition of the shareholders' fair and equal rights

- All shareholders will receive a notice of invitation to a shareholders' meeting together with any supporting documents at least 14 days in advance, so that they will learn of the related information on an equal basis.
- The shareholders are eligible to freely vote at the shareholders' meeting without restrictions.
- The Company's officers are available at the place of meeting to provide necessary assistance concerning documentation and registration for the shareholders.
- The company's information to disclose in website [www.thaistanley.com](http://www.thaistanley.com)

3. Recognition and fair treatment of all interested parties' rights

- Company's principles are value customers, value suppliers, value shareholders and value employees, meeting between the Company customers, suppliers and employees will be held from time to time to ensure that those rights are protected and treated with care.

#### 4. Shareholders' equal freedom of expression and vote

- At the annual general meeting of shareholders which must be held at any time within 4 months from the end of each financial year, all directors will be present to give clarifications on any matters raised by the shareholders.
- An agenda for each meeting will be determined in advance.
- At each meeting, the following persons will be available to provide advice and assistance to the shareholders:
  1. the auditors will provide clarification about financial information related to the Company;
  2. the interpreters will perform their duties to ensure correct understanding between the shareholders and foreign management members;
  3. the legal advisors will perform their duties to ensure the validity of the procedure of the meeting.
- All shareholders are encouraged to express their opinions and raise any questions according to the order of the agenda on an equal basis. They may also be given a site visit to inspect the operations of the Company from time to time.

#### 5. Visionary leadership and independence of the Board of Directors for the benefit of the Company and all shareholders

- The Company has designated the following board and committees to perform their duties on behalf of the Company.
  1. The Board of Directors must perform its duties in accordance with the Articles of Association with the power and authority to manage the Company's business and to direct and control the Company's operations within fixed parameters and according to applicable law. However, before undertaking the following transactions, a resolution of a shareholders' meeting is required:
    - any transaction for which a shareholders' resolution is required by law; and
    - any connected transaction for which a shareholders' resolution is required by applicable rules and regulations.
  2. The Executive Board is responsible for directing the administration and management policy and inspecting the operating results of the Company.
  3. The Audit Committee is responsible for reviewing the financial statements, monitoring internal control and information disclosure, selecting and appointing auditors and performing any other act as designated by the Board of Directors.
- All directors will receive the code of best practice for directors of Listed Companies as a guideline for the performance of their duties.

#### 6. Careful solution to conflicts of interest

- Any transaction which may give rise to a conflict of interest will always be tabled at the meeting of the Board of Directors before the execution thereof.
- Information about any conflict of interest will be disclosed to the related parties from time to time.

- At any meeting, a person having an interest in the matter being considered on the agenda must abstain from voting on such matter.
7. Guidelines on business ethics for all directors and employees
- The Company has set the guidelines on business ethics in line with the visionary standards of the Stanley Group.
8. Check and balance in respect of the executive and non-executive directors
- There are 7 executive directors and 8 non-executive directors, including 3 independent directors with proper qualifications as prescribed by the relevant notifications of the Stock Exchange of Thailand. These three independent directors have good knowledge and understanding of the Company's business operations.
9. Clear and precise determination of the independent and separate roles and responsibilities of the Chairman and Chief Executive Officer
- Both the Chairman and the Chief Executive Officer have independent and separate roles and responsibilities, which are clearly identified in order that the check and balance mechanism can effectively apply.
  - With regard to the personnel management structure, the job titles, required qualifications and roles and responsibilities of each employee are precisely specified.
10. Determination of remuneration for the directors and executive officers
- After the remuneration of the directors obtains prior approval from the shareholders' meeting, the Board of Directors will review and re-consider the remuneration for each director as it deems appropriate. Regarding the remuneration for the management, the authority to determine such remuneration rests with the Executive Committee.
11. Preparation of the regular meetings of the Board of Directors
- The meetings of the Board of Directors must be held 4 times a year and the attendance records of each director must be properly kept for further reference.
  - A secretary to the Board of Directors will first screen and consider the matters to be contained in the agenda of each meeting.
12. Establishment of the following committees to facilitate and support the performance of the Board of Directors
1. Audit Committee: monitoring the financial statements and internal control system
  2. Quality Management Committee
  3. Occupational Safety and Working Environment Committee
13. Establishment of internal control and internal audit processes to oversee the Company's operations, hedge against risks, and recognise possible irregularities or danger signals
- An internal audit bureau is established to directly report to the Chief Executive Officer and the Audit Committee with the power and authority to inspect the internal working system of the Company. The internal audit report will be further considered at a meeting of the Board of Directors.



(5) Internal information controlling

The company assigned the management to report the shareholding status to the board in every company's director meeting, even though there is no purchase or sales movement in the stock.

(6) Personnel

Total number of employee 2,302 persons that were male 1,284 persons, female 989 persons and foreigner (Japan) 29 persons.

Employee's remuneration include fixed time for the year 2005

Salary, OT. , Bonus , Tax	581.56 million Baht
Provident fund	10.86 million Baht
Other Welfare	88.18 million Baht

For the provident fund, the company established a contributory registered provident fund and appoint fund manager responsibility .

Under the plan, the employees must contribute 3% of their basic salary and the company must contribute 3% - 7% according to the number of years it has been in the plan, from 1-12 years, respectively.

Policy of personnel's development of company.

Company emphasize for training of production technology, production engineer and management by invitation the specialist from overseas to transfer the knowledge of technology. Moreover we support our employee to train within domestic and overseas. More than that we have set the in-house training system for every level of employee.

For the last 3 year, Company didn't have any problem from the Labour Law and didn't change for the number of employee so much that increase 358 persons.

10. Internal Control

The three members of Audit committee has meeting with the Board of Directors meeting No. 2/2549 on 19<sup>th</sup> May 2006. The Board of Directors have evaluated for the internal control system about Stock Management, Property Plant and Equipment, Information Technology, Purchase Payments and Payables, Revenues Receipts and Receivables, Human Resources, Operations, Corporate Governance and Board and Management Reporting.

The Audit Committee has reviewed and has the opinion that the company's activities are in accordance with the appropriate internal control of the company.

(Detail of Audit committee's report are on attached 4 )

Mrs. Unakorn Phruitithada, PricewaterhouseCoopers ABAS Limited ,the Auditor of company was no serious concerns about the internal control.

#### 11. The related items

Since last 3 years, there was no event of spending the income from stock sales for any of the shared interest person, the company has the significant trade with the related company by purchasing and sales items. The company's auditor gave the explanation in the Note 5 Page 16 of the financial statement on 31<sup>st</sup> March 2006. The purchasing items from the related company are those particular raw materials or merchandise from the same production source at the great quantity to reduce the production cost. The company received the confirmation report from the related company about the sales of raw materials as the regular trading business. The sales items are mostly exporting by set up the sales price from cost fee plus the profit. Royalty fee to a related company at the rate of 3% of sales minus the cost of importing raw materials from that related company, and specified as the regular trading business.

On August 4, 2005 The Board of Director has passed the resolution asset disposal , Painting Machine (That was old and company did not used) to Vietnam Stanley Electric Company Limited , that company held on the share of buyer 20% . The value of asset disposed was 7,875,531.64 Baht and total cost of asset (Plus addition and overhaul and transportation) was 6,897,479.46 Baht, the company had the profit of disposal 12.4%

That transaction concerning a connected transactions regarding asset or service and was the middle transaction. The Director agreed with the asset disposal that can take profit but the connected persons abstain for this connected transaction.

## 12. Financial Statements and Operating Results

### 12.1 Summary of Financial Status and operation for 3 year

A) For the past 3 year we assure the Financial Statement report and the results of its operations and its cash flows in conformity with generally accepted accounting principles.

B) Table of the Financial Statement

#### Thai Stanley Electric Public Company Limited

#### Balance Sheets

As at 31 March 2004 to 31 March 2006

(Unit : Thousand Baht)

	Audited					
	31 March 2004	(%)	31 March 2005	(%)	31 March 2006	(%)
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	107,281	2.55	163,515	3.47	579,420	10.43
Investment in negotiable certificate of deposit	-	-	-	-	-	-
Trade accounts receivable	883,429	20.99	1,028,409	21.84	1,180,667	21.26
Related companies	143,128	3.39	154,051	3.26	177,368	3.19
Foreign currency forward contracts	1,932	0.04	-	-	-	-
Receivable, net						
Inventories, net	357,096	8.48	635,646	13.50	653,063	11.76
Other current assets	33,068	0.78	41,267	0.88	39,082	0.70
<b>Total current assets</b>	<b>1,525,934</b>	<b>36.23</b>	<b>2,022,888</b>	<b>42.95</b>	<b>2,629,600</b>	<b>47.35</b>
<b>Non-current assets</b>						
Investments in associates	96,542	2.30	118,277	2.51	152,327	2.74
Long-term investments	150,435	3.58	149,635	3.18	148,655	2.68
Property, plant and equipment, net	2,415,698	57.37	2,401,069	50.98	2,606,718	46.94
Other non-current assets, net	22,037	0.52	17,799	0.38	16,290	0.29
<b>Total non-current assets</b>	<b>2,684,712</b>	<b>63.77</b>	<b>2,686,780</b>	<b>57.05</b>	<b>2,923,990</b>	<b>52.65</b>
<b>Total assets</b>	<b>4,210,646</b>	<b>100.00</b>	<b>4,709,668</b>	<b>100.00</b>	<b>5,553,590</b>	<b>100.00</b>

**Thai Stanley Electric Public Company Limited**

**Balance Sheets**

As at 31 March 2004 to 31 March 2006

(Unit : Thousand Baht)

	Audited					
	31 March 2004	(%)	31 March 2005	(%)	31 March 2006	(%)
<b>Liabilities and shareholders' equity</b>						
<b>Current liabilities</b>						
Short-term loans from banks	300,000	7.12	-	-	-	-
Trade accounts – other companies	353,959	8.41	415,807	8.83	447,417	7.52
Trade accounts – related companies	218,638	5.19	239,960	5.10	220,577	3.97
Current portion of long-term liabilities	0	0.00	0	0.00	0	0.00
Other payable – other companies	82,499	1.96	159,824	3.39	90,738	1.63
Other payable – related companies	46,553	1.11	89,940	1.91	101,474	1.83
Foreign currency forward contracts payable, net	0	0.00	2,892	0.06	3,530	0.06
Accrued income tax	118,181	2.81	134,723	2.86	176,274	3.17
Advance received from customers	21,392	0.50	22,045	0.47	74,899	1.35
Other current liabilities	93,951	2.23	90,067	1.91	105,675	1.90
<b>Total current liabilities</b>	<b>1,235,173</b>	<b>29.33</b>	<b>1,155,258</b>	<b>24.53</b>	<b>1,220,584</b>	<b>21.98</b>
Long-term liabilities	0	0.00	0	0.00	0	0.00
<b>Total liabilities</b>	<b>1,235,173</b>	<b>29.33</b>	<b>1,155,258</b>	<b>24.53</b>	<b>1,220,584</b>	<b>21.98</b>
<b>Shareholders' equity</b>						
Share capital	383,125	9.10	383,125	8.13	383,125	6.90
Premium on share capital	504,250	11.98	504,250	10.71	504,250	9.08
Unrealised gain on revaluation of Available for-sale-securities	4,580	0.11	3,780	0.08	2,800	0.05
Legal reserve	38,313	0.91	38,313	0.81	38,313	0.69
Unappropriated retained earnings	2,045,205	48.57	2,624,941	55.74	3,404,518	61.30
<b>Total shareholder's equity</b>	<b>2,975,473</b>	<b>70.67</b>	<b>3,554,409</b>	<b>75.47</b>	<b>4,333,006</b>	<b>78.02</b>
<b>Total liabilities and shareholders' equity</b>	<b>4,210,646</b>	<b>100.00</b>	<b>4,709,667</b>	<b>100.00</b>	<b>5,553,590</b>	<b>100.00</b>
Book Value Per Share * (Baht)	77.66		46.39		56.55	
Par Value (Baht)	10.00		5.00		5.00	
Number of Share (thousand share)	38,313		76,625		76,625	
Weighted Average ordinary number of share ( thousand share)	38,313		76,625		76,625	

\* Calculated by using The Weighted Average number of ordinary share

**Thai Stanley Electric Public Company Limited**

**Statements of Income**

**As at 31 March 2004 to 31 March 2006**

(Unit : Thousand Baht)

	Audited					
	31 March 2004	(%)	31 March 2005	(%)	31 March 2006	(%)
<b>Revenues</b>						
Sales	1,087,413	97.17	6,869,653	97.76	8,315,523	97.05
Share of net Profit from investment in associates	7,946	0.71	36,819	0.52	49,366	0.58
Gain on exchange rate	721	0.06	12,710	0.18	42,348	0.49
Other income	23,043	2.06	108,085	1.54	161,323	1.88
<b>Total revenues</b>	1,119,123	100.00	7,027,267	100.00	8,568,560	100.00
Cost of sales	887,346	79.29	5,430,662	77.28	6,657,336	77.69
Selling and administrative expenses	71,666	6.40	453,248	6.45	525,625	6.13
Loss on exchange rate	0	0.00	0	0.00	0	0.00
Interest expenses	596	0.05	3,073	0.04	2,078	0.02
Directors' remuneration	320	0.03	1,920	0.03	2,850	0.03
Income tax	35,435	3.17	271,306	3.86	313,761	3.66
<b>Total expenses</b>	995,363	88.94	6,160,209	87.66	7,501,650	87.55
Net profit (loss)	123,760	11.06	867,058	12.34	1,066,910	12.45
Net profit (loss) per share	3.23		11.32		13.92	
Par Value(Baht/share)	10		5		5	
Weighted Average Number of Share (thousand share)	38,313		76,625		76,625	

Auditor

Mrs. Unakorn Phruitithada

Certified Public Accountant (Thailand) No. 3257

PricewaterhouseCoopers ABAS Limited

**Thai Stanley Electric Public Company Limited**

**Statements of Cash flows**

**For the years ended 31 March 2004 to 31 March 2006**

(Unit: Thousand baht)

	Audited		
	31 March 2004	31 March 2005	31 March 2006
Cash flows from operating activities :			
Net profit for the year	123,760	867,058	1,066,910
Adjustments for:			
Share of net profit from investments in associated companies	(7,947)	(36,819)	(49,366)
Dividend income	(128)	(19,792)	(35,377)
Depreciation and amortisation	93,522	582,278	673,877
Loss (gain) on disposal of fixed assets	(13)	(4,257)	(5,639)
Provision of slow moving inventories	-	-	-
Doubtful accounts	-	1,264	-
Loss on diminution value of work in progress	-	-	30,000
Loss on slow moving inventories	-	-	1,299
Interest expenses	596	3,073	2,078
Unrealised (gain) loss on exchange rate	(1,419)	5,707	264
Income tax expense	35,434	271,306	313,761
Changes in operating assets and liabilities :			
Trade accounts receivable – other companies	(113,467)	(145,667)	(152,258)
Trade accounts receivable – related companies	(17,845)	(11,499)	(23,317)
Inventories	(9,181)	(278,549)	(48,716)
Other current assets	2,509	(7,965)	(2,620)
Other non-current assets	346	(424)	(2,988)
Trade accounts payable – other companies	62,300	61,848	31,609
Trade accounts payable – related companies	49,524	21,321	(19,383)
Other payable – other companies	(77,495)	37,586	(94,715)
Other payable – related companies	(58,402)	43,386	10,755
Advance received from customers	(1,389)	652	52,854
Other current liabilities	23,870	(3,950)	16,387
	<b>104,575</b>	<b>1,386,557</b>	<b>1,765,415</b>
Interest paid	(642)	(3,006)	(2,078)
Income tax	(1,307)	(254,764)	(272,210)
Net cash provided by operating activities	<b>102,626</b>	<b>1,128,787</b>	<b>1,491,127</b>

**Thai Stanley Electric Public Company Limited**

**Statements of Cash flows**

**For the years ended 31 March 2004 to 31 March 2006**

(Unit: Thousand baht)

	Audited		
	31 March 2004	31 March 2005	31 March 2006
Cash flows from investing activities :			
Dividends received	128	34,876	50,693
Purchases of property, plant and equipment	(80,622)	(543,093)	(869,174)
Proceeds from disposals of property, plant and equipment	14	26,442	30,727
Advance payment of equipment	-	(3,537)	(510)
Net cash used in investing activities	<b>(80,480)</b>	<b>(485,312)</b>	<b>(788,264)</b>
Cash flows from financing activities :			
(Decrease) increase in loans from banks	-	(300,000)	-
Proceeds from long-term borrowings	5,000	-	-
Dividend paid	-	(287,322)	(287,332)
Net cash used in financing activities	<b>5,000</b>	<b>(587,322)</b>	<b>(287,332)</b>
Effects of exchange rate changes	-	82	374
Net increase in cash and cash equivalents	26,954	56,235	415,905
Cash and cash equivalents at beginning of the year	80,326	107,280	163,515
Cash and cash equivalents at end of the year	<b>107,280</b>	<b>163,515</b>	<b>579,420</b>

Non-cash items

Purchase of property, plant and equipment by credit	21,660	39,739	25,628
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## (C) Financial ratio

**Thai Stanley Electric Public Company Limited****Ratio of financial statement**

(Unit: Thousand baht)

	Audited		
	31 March 2004 (2 month)	31 March 2005	31 March 2006
	Liquidity Ratio		
Current Ratio (Times)	1.24	1.75	2.15
Quick Ratio (Times)	0.92	1.17	1.59
Cash Ratio (Times)	0.10	0.94	1.26
Receivable Turnover Ratio (Times)	1.03	5.54	5.07
Collection Period (Days)	349.52	64.98	71.01
Inventory Turnover (Times)	2.52	10.94	10.33
Sale Period (Days)	142.86	32.91	34.85
Account Payable Turnover (Times)	1.72	8.84	10.06
Payment Period (Days)	209.30	40.72	35.79
Cash Cycle (Days)	283.08	57.17	70.07
Profitability Ratio			
Gross Profit Margin (%)	18.40	20.95	19.94
Net Profit Margin (%)	11.06	12.34	12.45
Return on Equity (%)	4.25	26.56	27.05
Efficiency Ratio			
Return on Assets (%)	3	19.44	20.79
Return on Fixed Assets (%)	9.01	60.18	69.52
Asset Turnover (Times)	0.27	1.58	1.67
Financial Policy Ratio			
Debt to Equity (Times)	0.42	0.34	0.28
Interest coverage Ratio (Times)	267.89	371.48	665.34
Fixed Charge Coverage (Times)	160.75	3.90	5.16
(CASH BASIS)			
Payout Ratio (%)	30.96	33.14	*

\* It will be approved from the ordinary shareholders' meeting year 2006

## 12.2 Management Analysis and explanations.

### - Sales

During year 2005-2006 (1 April 2005 - 31 March 2006), The company's sales were 8,315.523 million baht, an increasing of 1,445.87 million baht or 21.05% from the same period of last year (1 April 2004 - 31 March 2005) when sales were 6,869.653 million baht. This was the result of an industrial of automobile in thailand continue expand. For the year 2005 automobile have produce 1.153 million cars increasing 20.61 % from the last year was 0.956 million cars that was the one step of automotive industry that can produce to 1 million cars that the result of company's sale increase.

### - Profit (Loss)

During year 2005 -2006 the company made a total profit 1,066.91 million baht rising of 199.852 million baht or 23.05% from the same period last year in which profit of about 867.058 million baht the increase in profit result from the following :

1. Company has continue improved production efficiency by applied SNAP system (Stanley New Approach for higher Productivity) for effectiveness of production and suitable time of used resources. And then it expand to the other unit of company such as indirect (Office) section.
2. The past year company had continue launch of new model and can control defect.
3. Company can control cost of selling and administration.
4. Company can add value of product that effect to profit.
5. The past year, Material for produce plastic ; fuel has increase price that effect to plastic so much. For a meanwhile company can bargain and manage for the efficiency of adjust price include continue reduce cost of material program.
6. Company have efficiency manage and control inventories that can reduce for short term loan and increase for the deposit incomes.
7. The affiliated and related company have good operation so the share of net profit and dividend income of company continue increase.

### Financial Position

Company had total assets of 5,553.59 million baht, up by 843.62 million baht or 17.92% from the last year almost increase from current assets. For the investments in associates had increase 34.05 million baht or 28.79% that from the affiliated company had good operation to increase share of net profit.

Company had net cash used in investing activities was 788.26 million baht up by 62.42% from the last year.

For the liabilities company had total liabilities of 1,220.58 million baht, up by 65.33 million baht or 5.66% that from advance received from customers amounting 52.85 million baht.

### 13. Reference

Registrar	Thailand Securities Depository Co.,Ltd. Capital Market Academy Building, The Stock Exchange of Thailand Building 2/7 Moo 4, (North Park Project) Vibhavadi-Rangsit Road, Km.27, Tung Song Hong, Laksi, Bangkok 10210
Auditor	Mrs. Unakorn Phruitithada Certified Public Accountant (Thailand) No.3257 PricewaterhouseCoopers ABAS Limited. 15th Bangkok City Tower 179 South Sathorn Road, Bangkok 10120
Law Consultant	Mr. Piset Setsatheian ALLEN & OVERY 22 nd Floor, Sindhorn Building III 130– 132 Wireless Road, Bangkok 10330
Financial Consultant	Capital Numura Securities Public Company Limited 21/3 Thai wa Tower, Ground Floor, South Sathorn Road Bangkok 10120

Part 3

**CERTIFICATION OF THE ACCURACY OF INFORMATION**

1. We have reviewed the information contained in the Annual Information Disclosure Form and, with carefulness in our capacity of the Company's Executive Directors or as top executives in charge of accounting, hereby certify that the information is correct, complete and true and do not cause any misunderstanding or concealment. We further certify that

(1) The financial statements and financial information summarized in the Form of annual Data Disclosure are correctly, completely, and materially stated pertaining to the financial position, operating results and cash flow of the Company and its subsidiaries companies.

(2) We are responsible for fine disclosure system to ensure that the Company has accurately and completely disclosed material information of the Company and subsidiaries as well as supervising the compliance of the system.

(3) We are responsible for good internal control and overseeing the conformity to such system. We informed the internal control evaluation as at May 19, 2006 to the auditors and the Audit Committee. The report included any shortcomings and major changes in the internal control system as well as any dishonesty that might affect the financial statements of the Company and subsidiaries.

As evidence of our making of certification of information accuracy, we have authorized Mr. Apichart Leeissaranukul to initial all the pages of this document. Any information without Mr. Apichart Leeissaranukul's signature will be treated as non-certified information.

Name	Position	Signature
Mr. Hiroyuki Nakano	President	.....
Mr. Apichart Leeissaranukul	Executive Vice President	.....
Mr. Masahiro Nakamura	Executive Director	.....
Mr. Akira Hosoda	Executive Director	.....
Mr. Shigeo Suzuki	Director	.....

Name	Position	Signature
Authorized Person Mr. Apichart Leeissaranukul	Executive Vice President	.....

2. We have reviewed the information contained in the Annual Information Disclosure Form and with carefulness in our capacity of the Company's Directors, have no grounds for believing that the information is incorrect, incomplete and false or cause any misunderstanding or represent any concealment.

As evidence of our making of certification of information accuracy, we have authorized Mr. Apichart Leeissaranukul to initial all the pages of this document. Any information without Mr. Apichart Leeissaranukul's signature will be treated as non-certified information.

Name	Position	Signature
Mr. Tomoichiro Hori	Vice Chairman	.....
Mr. Thanong Leeissaranukul	Director	.....
Mrs. Pimjai Laochinda	Director	.....
Mrs. Pornthip Sethiwan	Director	.....
Mrs. Porndee Leeissaranukul	Director	.....
Mr. Toshio Uchikawa	Director	.....
Mr. Hiroshi Kanazawa	Director	.....
Mr. Kiat Shinno	Independent Director/Chairman Audit Committee	.....
Mr. Krisada Visavateeranon	Outside Director/Audit Committee Member	.....
Mr. Chockchai Tanpoonsinthana	Independent Director/Audit Committee Member	.....

Name	Position	Signature
Authorized Person Mr. Apichart Leeissaranukul	Executive Vice President	.....

## Attached 1

### List of Directors, Managers, and experience

Name-Surname	Age	Education Degree	% of Holding	Relations	Working Experience		
					Period	Position	Company Name
1. Mr.Hiroyuki Nakano President	56	Bachelor the Faculty of Economics Meiji University, Japan	-	-	2003-Present	President	Thai Stanley Electric Public Co.,Ltd.
					2003-Present	Director	Top Hitech (Thailand) Co.,Ltd.
					2004-Present	Director	Sum Hitechs Co.,Ltd.
					2004-Present	Director	Sirivit Stanley Co.,Ltd.
					2004-Present	Director	Lao Stanley Co.,Ltd.
					1969-2003	Manager Sale Department 3	Stanley Electric Co.,Ltd.
2. Mr. Apichart Leeissaranukul Executive Vice President and Executive General Administration Division.	44	Bachelor in Administration The University of the Thai chamber of commerce. Master of Business Administration Oklahoma City University, USA. Directors Certification program class 8/2001 from Thai Institute of Director.	5.87	Son Mr.Vitya Leeissaranukul and Mrs.Porndee Leeissaranukul Brother Mr.Thanong Leeissaranukul, Mrs. Pimjai Laochinda and Mrs. Pornthip Sethiwan	1987-Present	Director	Rocket Steel Industries Co.,Ltd.
					1991-Present	Director	Inoue Rubber (Thailand) Public Co.,Ltd.
					1992-Present	Executive Vice President	Thai Stanley Electric Public Co.,Ltd.
					1993-Present	Director	Pacific Industries Co.Ltd.
					1996-Present	Executive Vice President	Asian Stanley International Co.,Ltd
					1997-Present	Director	Sirivit Stanley Co.,Ltd.
					1997-Present	Director	Dido Sittipol Co.Ltd.
					1999-Present	Chairman	Lao Stanley Co.,Ltd.
					2000-Present	Director	Vietnam Stanley Electric Co.,Ltd.
					2002-Present	Director	Investor Club Association
					2004-Present	Executive Director	Investor Club Association
					2005-Present	Director	Listed Companies Association
3. Mr. Masahiro Nakamura Director and Executive General Manager Die & Mold Division	53	Course of Machine Section Certificate from Kagoshima National College of Technology, Japan.	0.01	-	1988-Present	Executive General Manager Die&Mold Division	Thai Stanley Electric Public Co.,Ltd.
					1992-Present	Executive Director	Thai Stanley Electric Public Co.,Ltd.
					2003-Present	Director	Stanley Electric Engineering India PVT Ltd.
					1994-1999	Director	Lao Stanley Co.,Ltd.
4. Mr. Akira Hosoda Director and Executive General Manager Lighting Equipment Division	56	Industrial Engineering Tamagawa University, Japan.	0.01	-	2002-Present	Executive General Manager Lighting Equipment Division	Thai Stanley Electric Public Co.,Ltd.
					2002-Present	Executive Director	Thai Stanley Electric Public Co.,Ltd.
					2003-Present	Vice Chairman	Vietnam Stanley Electric Co.,Ltd.
					2004-Present	Director	Sirivit Stanley Co.,Ltd.
					1973-1991	Assistant Manager at Hamamastu plant	Stanley Electric Co.,Ltd.
					1991-2001	General Manager Purchasing Dept.	Thai Stanley Electric Public Co.,Ltd.
					2001-2002	General Manager Lighting Equipment I Dept.	Thai Stanley Electric Public Co.,Ltd.

Name-Surname	Age	Education Degree	% of Holding	Relations	Working Experience		
					Period	Position	Company Name
5. Mr. Shigeo Suzuki Director and Executive General Manager R&D Center	48	Graduated from Musashi University, Faculty of Engineering, Mechanical Engineering	-	-	1997-Present	Team Manager	Stanley Electric Co.,Ltd.
					2004-Present	Director	Thai Stanley Electric Public Co.,Ltd.
6. Mr. Toshio Uchikawa Director	62	Hosei University, Japan.	-	-	1990-Present	Director	Stanley Electric Co.,Ltd.
					1999-Present	Director	Thai Stanley Electric Public Co.,Ltd.
					2002-Present	Audit Committee	PT. Indonesia Stanley Electric
7. Mr. Hiroshi Kanazawa Director	61	Graduated from Nichidai-Tohoku Industrial High School / Electrical Engineering Dept.	-	-	1964-Present	Executive Officer & Executive General Manager of Motorcycle Division , General Manager of Hamamatsu Works, Asian & Oceania Business Super Intendent, Chinese Business Super Intendent,Director	Stanley Electric Co.,Ltd.
					2002-Present	Director	PT. Indonesia Stanley Electric
					2004-Present	Director	Thai Stanley Electric Public Co.,Ltd.
					2004-Present	Director	Stanley Electric Engineering India PVT Ltd.
					2004-Present	Director	Lumax Industries Limited.
					1988-1989	Director	II Stanley Electric Co., Inc.
					1989	Executive Vice-President	II Stanley Electric Co., Inc.
8. Mr.Tomoichiro Hori President	58	Bachelor of Law Tokyo University, Japan.	0.01	-	2002-Present	Director	PT. Indonesia Stanley Electric
					2003-Present	Director	Thai Stanley Electric Public Co.,Ltd.
					2003-Present	Director	Stanley Electric Engineering India PVT Ltd.
					1993-1999	General Manager	Stanley Electric Co.,Ltd.
					1999-2003	President	Thai Stanley Electric Public Co.,Ltd.
					1999-2003	Director	Top Hitech (Thailand)Co.,Ltd.
					2001-2003	Director	Lao Stanley Co.,Ltd.
					2001-2003	Director	Sirivit Stanley Co.,Ltd.
2002-2003	Director	Sum Hitechs Co.,Ltd.					

Name-Surname	Age	Education Degree	% of Holding	Relations	Working Experience		
					Period	Position	Company Name
9. Mr. Thanong Leeissaranukul Director	46	Bachelor of Business Administration – Commercial Nanzan University, Japan.	4.19	Son Mr.Vitya Leeissaranukul Mrs.Porndee Leeissaranukul Brother Mr.Apichart Leeissaranukul, Mrs. Pimjai Laochinda and Mrs. Pornthip Sethiwan	1983-Present	Director	Thai Stanley Electric Public Co.,Ltd.
					1986-Present	Managing Director	The Sittipol 1919 Co.,Ltd.
					1986-Present	Director	Inoue Rubber (Thailand) Public Co.,Ltd.
					1988-Present	Director	Asian Stanley International Co.,Ltd
					1993-Present	Director	Sopa-Kanok International Co.,Ltd.
					1995-Present	Executive Director	Total Oil (Thailand) Co.,Ltd.
					1995-Present	Director	Sungold Holding Co.,Ltd.
					1996-Present	Vice Chairman	Daido Sittipol Co.,Ltd.
1996-Present	Executive Director	Seng Ngun Hong Co.,Ltd.					
10. Mrs. Pimjai Laochinda Director	45	Bachelor of Engineering Chulalongkorn University Master of Business Administration operation Management, Drexel University,USA.	2.82	Daughter Mr.Vitya Leeissaranukul Mrs.Porndee Leeissaranukul Sister Mr.Apichart Leeissaranukul, Mr. Thanong Leeissaranukul and Mrs. Pornthip Sethiwan	1980-Present	Director	Thai Stanley Electric Public Co.,Ltd.
					1986-Present	Executive Vice President and Managing Director	Inoue Rubber (Thailand) Public Co.,Ltd.
					1995-Present	Chairman	Toei Inoac Co.,Ltd.
					1974-1997	Director	The Sittipol 1919 Co.,Ltd.
11. Mrs. Pornthip Sethiwan Director	39	Bachelor of Commerce and Accountancy, Commerce major Chulalongkorn University.	2.82	Daughter Mr.Vitya Leeissaranukul Mrs.Porndee Leeissaranukul Sister Mr.Apichart Leeissaranukul, Mr. Thanong Leeissaranukul and Mrs. Pimjai Laochinda	1980-Present	Director	Thai Stanley Electric Public Co.,Ltd.
					1985-Present	Director	Seng Ngun Hong Co.,Ltd.
					1990-Present	Executive Director	The Sittipol 1919 Co.,Ltd.
					1990-Present	Director	Pacific Industries (Thailand) Co.,Ltd.
					1991-Present	Director	Inoue Rubber (Thailand) Public Co.,Ltd.
					1993-Present	Director	Sopa-Kanok International Co.,Ltd.
1996-Present	Director	Daido Sittipol Co.,Ltd.					
12. Mrs. Porndee Leeissaranukul Director	70	Bachelor of Commerce and Accountancy Thammasart University.	5.86	Couple Mr. Vitya Leeissaranukul Mother Mr.Apichart Leeissaranukul, Mr.Thanong Leeissaranukul, Mrs. Pimjai Laochinda and Mrs. Pornthip Sethiwan	1974-Present	Director	Sopa-Kanok International Co.,Ltd.
					1986-Present	Director	The Sittipol 1919 Co.,Ltd.
					1992-Present	Director	Thai Stanley Electric Public Co.,Ltd.
					2003-Present	Director	S.K. Industry Rubber Co.,Ltd.
13. Mr. Kiat Shinno Outside Director	77	Bachelor degree Yokohama Technology Institute, Japan	-	-	1993-Present	Director	Thai Stanley Electric Public Co.,Ltd.
					1996-Present	Director	Kolon Industry Co.,Ltd.
					1999-Present	Director	Muramoto Co.,Ltd.
					2003-Present	Director	NNT Consunding Co.,Ltd.
					2004-Present	Director	Shojitsu (Thailand) Co.,Ltd.
1974-2004	Vice President	Nichimen (Thailand) Co.,Ltd.*					

Name-Surname	Age	Education Degree	% of Holding	Relations	Working Experience		
					Period	Position	Company Name
14. Mr. Krisada Visavateeranon Outside Director	56	Master of Engineering Kyoto University, Japan. Directors Certification program class 7/2002 from Thai Institute of Director.	-	-	1975-Present	Associate Professor	Chulalongkorn University
					1997-Present	Executive Director	Technology Promotion Association (Thailand-Japan)
					1999-Present	Director	Thai Stanley Electric Public Co.,Ltd.
					1998-2003	Director	Vast Technical Engineering Consultal Co.,Ltd.
15. Mr.Chokechai Tanpoonsinthana Independent Director	58	Master of Business Administration (Quantitative Analysis & Finance) University of Wisconsin (Madison Campus) Master of Civil Engineering University of Wisconsin at Madison, U.S.A. * Training record in Directors Certification program class 3/2000 from Thai Institute of Director.	-	-	2000-Present	Director and Audit Committee	Thai Stanley Electric Public Co.,Ltd.
					2003-Present	Independent Director and Audit Committee Chairman	Advance Information Technology Public Co.,Ltd.
					2004-Present	Independent Director and Audit Committee	United Securities Public Co.,Ltd.
					1991-2000	Director and Assistant Managing Director	Bangkok First Investment & Trust Public Co.,Ltd.
					1998-2002	Director	The Stock Exchange of Thailand
					1998-Mar.2004	Director and Secretary	Association of Finance Companies
					2000-2002	Director	Thailand Securities Depository Co.,Ltd.
					2000-Mar.2004	Managing Director	Bangkok first Investment & Trust Public Co.,Ltd.
					2000-Mar.2004	Director	BFIT Securities Co.,Ltd.
					2001-Mar.2004	Director	Tawanna Hotel Co.,Ltd.
16. Mr.Shinichiro Kojima Executive General Manager Marketing Division	43	The Faculty of Economics, Josai University, Japan	-	-	2000-Present	Executive General Manager Marketing Division General	Thai Stanley Electric Public Co.,Ltd.
					1985-2000	Manager Personnel Management Department	Stanley Electric Co.,Ltd.

**Attached 2**

**-None-**

### Attached 3

#### 5 Related party transactions (Cont'd)

	2006	2005
	<u>Baht' 000</u>	<u>Baht' 000</u>
Royalty fees		
Stanley Electric Group companies	216,400	172,277
Associated companies	<u>35</u>	<u>-</u>
	<u>216,435</u>	<u>172,277</u>
Design and development fee		
Stanley Electric Group companies	<u>48,143</u>	<u>43,100</u>
Technical fee		
Stanley Electric Group companies	<u>7,059</u>	<u>5,997</u>
Training fee		
Stanley Electric Group companies	<u>7,029</u>	<u>13,551</u>
Commission		
Stanley Electric Group companies	<u>1,915</u>	<u>2,618</u>

Purchases from related companies are specific materials or materials which are manufactured on a large scale at one source for cost saving benefits. Sales to related companies mainly represent export sales, and selling price is determined based on manufacturing cost plus a certain margin. A royalty fee is charged at 3% of sales less materials cost imported from a related company in accordance with the agreement. A design and development fee and other fees are charged in the normal course of business. Outstanding balance of royalty fee, design and development fee and other fees are presented as other payable - related company.

## Attached 4

### Report of Audit Committee

The Audit Committee of Thai Stanley Electric Public Company Limited (“Company”) was set up by a resolution of the Board of Directors Meeting on 23<sup>th</sup> May 2003. The Audit Committee has been allocated duties and responsibilities in accordance with “the Audit Committee Charter” of the Company.

The Audit Committee comprises of 3 independent directors as follows:

- |                                 |                    |
|---------------------------------|--------------------|
| 1. Mr.Kiat Shinno               | Committee Chairman |
| 2. Mr.Krisada Visavateeranon    | Member             |
| 3. Mr.Chokechai Tanpoonsinthana | Member             |

For the period April 1, 2005 to March 31, 2006 the Audit Committee convened 4 meetings. The key activities of the Audit Committee during the year are as follows:

1. Reviewing each Quarterly Financial Statements, and the Annual Financial Statements, by obtaining the clarification from management and the auditors, prior to presenting the Board of Directors meeting.
2. Reviewing and approving the Annual Internal Auditing Plan.
3. Reviewing Internal Control of Stock Management, Property Plant and Equipment, Information Technology, Purchase Payments and Payables, Revenues Receipts and Receivables, Human Resources, Operations, Corporate Governance and Board and Management Reporting.
4. Reviewing the progress of internal control of Working System that recommending in the past year.
5. Ensuring that the business of the Company is performed in accordance with the applicable laws and regulations.
6. Reviewing transactions between the Company and the related entitles, as well as any matters involving conflict of interest.
7. Ensuring that the Company discloses information in accordance with applicable laws and regulations.
8. Selecting Auditors and approving their remuneration.

The Audit Committee submits to the Board of Directors that, in its opinion, the Company’s activities for the period April 1, 2005 to March 31, 2006 are in accordance with the appropriate internal control of the Company. The Financial Statements contain no manifest error, the disclosure of information to those supervising agencies is also deemed to be consistent. The Audit Committee recommends that the shareholders at the annual general meeting re-appoint the PricewaterhouseCoopers ABAS Ltd. as the Company’s auditors.

Mr.Kiat Shinno  
Chairman Audit Committee