

HEMARAJ LAND AND DEVELOPMENT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

1. ECONOMIC ENVIRONMENT AND BASIS OF FINANCIAL STATEMENT PRESENTATION

1.1 Economic Environment

The operations of Hemaraj Land and Development Public Company Limited (“the Company”) and its subsidiaries (“Hemaraj Group”) may continue to be influenced for the foreseeable future by the economic conditions in Thailand and the Asia Pacific Region in general. The financial statements of the Company and its subsidiaries reflect the management’s current assessment of the impact of current economic conditions on the financial positions of the Company and its subsidiaries. However, actual results could differ from the management estimates.

1.2 Basis for preparation and presentation of financial statements

The financial statements of the Company and its subsidiaries have been presented in accordance with the Ministerial Regulation No.7 (B.E. 2539), under the Public Company Limited Act, B.E. 2535 and in conformity with generally accepted accounting principles practiced in Thailand. They have been prepared in the Thai language as required by Thai law and regulatory requirements and have been translated into English for the convenience of the reader.

1.3 Basis for preparation and presentation of consolidated financial statements

The consolidated accounts incorporate the accounts of the Company and its majority own directly or indirectly (over 50%) subsidiaries as follows:

	TYPE OF BUSINESS	HOLDING OF INTEREST (%)	
		As of 31 <sup>st</sup>	As of 31 <sup>st</sup>
		December, 2002	December, 2001
Eastern Industrial Estate Company Limited	Industrial Estate	99.99	99.99
Eastern Seaboard Industrial Estate (Rayong) Company Limited	Industrial Estate	60.00	60.00
Eastern Pipeline Services Company Limited	Pipe Rack Rental	99.99	99.99
H-International (BVI) Company Limited	Holding Company	100.00	100.00
Hemaraj International Limited*	Holding Company	99.99	99.99
H - Construction Management and Engineering Company Limited	Engineering and Construction Supervision Service	99.99	99.99

\* An overseas subsidiary, the information being used to prepare the financial statements were provided by the management and have not been audited. However, the total assets and net income as show in these financial statements were not material to the consolidated financial statements as a whole.

Significant intercompany transactions are eliminated from the consolidated financial statements.

All subsidiaries were incorporated in Thailand except H- International (BVI) Company Limited and Hemaraj International Limited which were incorporated in British Virgin Islands and Cayman Islands, respectively.

In addition, the consolidated and the Company’s financial statements for years ended December 31, include portions of gain (loss) from associated companies, based on information from the financial statements, which were provided by the management and were not audited or were audited by other auditors, as follows:

Economic environment and basis of financial statement presentation (continued)

2002

(Amounts:Million Baht)

Elyo-H Facilities Management Limited \*\*

(1.81)

2001

(Amounts:Million Baht)

Glow Company Limited (formerly: H-Power Company Limited)\*

(301.45)

Elyo-H Facilities Management Limited \*\*

(2.42)

\* Based on information from the financial statements, which were audited by other auditors.

\*\* Based on information from the financial statements, which were provided by the management and were not audited.

## 2. GENERAL INFORMATION

On August 15, 1988, the Company was incorporated under the Civil and Commercial Code of Thailand and was subsequently listed on the Stock Exchange of Thailand and transformed as a Public Company Limited on July 10, 1992 and July 12, 1993, respectively.

The Company, which is the parent company of Hemaraj Group, operates its business as an industrial estate developer with 3 industrial estate development projects located in the Eastern Seaboard of Thailand. The projects are operating under the joint operation agreements with the Industrial Estate Authority of Thailand, in the names of the Company and its 2 subsidiaries as follows:

<u>Company Name</u>	<u>Industrial Estate</u>	<u>Site Location</u>
Hemaraj Land and Development Plc.	Chonburi Industrial Estate (Bor Win)	Sriracha district, Chonburi province
Eastern Industrial Estate Co., Ltd.	Eastern Industrial Estate (Map Ta Phut)	Muang district, Rayong province
Eastern Seaboard Industrial Estate (Rayong) Co., Ltd.	Eastern Seaboard Industrial Estate (Rayong)	Pluak Daeng district, Rayong province

Hemaraj Group's headquarters is located at 18<sup>th</sup> Floor, UM Tower, 9 Ramkhamhaeng Road, Suan Luang, Bangkok 10250.

As at December 31, 2002 and 2001, Hemaraj Group employs 141 and 145 staff, respectively.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### The Measurement Bases Used in Preparing the Financial Statements

Other than those disclosed in other topics and other notes to the financial statements, the financial statements are prepared on the historical cost basis.

### Estimation

Preparation of financial statements in conformity with generally accepted accounting principles requires the management to make the estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and also the disclosures of contingent assets and liabilities at balance sheet date. However, actual results may differ from those estimates.

### Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and at banks net of cash at banks pledged as collateral.

## Summary of significant accounting policies (continued)

### Current Investments

Available-for-sale securities consist of investments in marketable securities, which are stated at fair value net of accumulated impairment loss on investments.

### Account Receivables

Account receivables consist of land sale contract receivables which represent the amount of contract prices net of installments received and deferred income, and service receivables which are shown net of allowance for doubtful accounts for billings overdue by more than 90 days.

### Cost of Real Estate Developments

Cost of real estate developments consists of land costs, development costs and capitalised interest on loans for development project including advances for construction costs. These costs are transferred to cost of sales when revenue from sales is recognised.

Cost of real estate developments is stated at the lower of aggregate cost or net realisable value.

Loss on projects evaluation is included in the statement of income.

### Capitalisation of Borrowing Costs

The Company and its subsidiaries have accounting policy to record interest expenses and fees on long-term loans and loan from directors and related person for development projects are capitalised to cost of real estate developments. The capitalisation will be suspended or ceased when the development projects are interrupted or completed.

### Investments and Loans

#### Investments

- Investments in subsidiary and associated companies are recorded by using the equity method.
- General investments represent investments in related and other companies which are stated at cost net of accumulated impairment loss on investments.

Impairment loss on investments is included in the statement of income.

#### Loans

The Company and its subsidiaries have recorded allowance for doubtful accounts by using an estimate of those amounts which may prove to be uncollectible, based on a review of the current status and the repayment ability of receivables.

### Leasehold Land and Land Held for Commercial Purposes

Leasehold land and land held for commercial purposes consist of land leasehold, land costs, development costs and capitalised interest on loans of undeveloped projects and projects which were suspended from development.

Leasehold land and land held for commercial purposes are stated at the lower of aggregate cost or net realisable value.

Loss on projects revaluation is included in the statement of income.

### Assets for Rent

Assets for rent are stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets of 15 years for pipe rack and 20 years for building.

### Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets of 5 years for equipment and 20 years for building.

Summary of significant accounting policies (continued)

Deferred Interest on Hire Purchase Agreements

Deferred interest on hire purchase agreement is amortised over the period of hire purchase agreements.

Income Received in Advance

Income received in advance represents the amounts received from land sale and purchase contracts over the amount of revenues, which are recognised using the percentage of completion method, and service income received in advance.

Deferred Leasehold Right Income

Deferred leasehold right income represents right of use fee received on rental of land, building and pipe rack, and is recognised as revenue over the period of rental contract.

Revenue and Expense Recognition

Other than those disclosed in other topics, revenue and expense recognition are as follows:

- Revenue and Cost of Land Sales

Revenue from land sales is recognised upon signing of contract and receiving of deposits by the percentage of completion method, using the ratio of actual development costs incurred to total estimated development cost excluding land cost. Cost of sales is total estimated development costs proportionately recognised by the percentage of revenue recognition, using the ratio of accumulated revenue recognition to total estimated project revenues.

Total estimated revenues and development costs of each project shall be revised when they reflect total revenues and costs that expected to be incurred.

During 2002, the Company and its subsidiaries have revised estimated revenues and development cost for each project in order to reflect the amount that expected to be incurred, which has generally effected to the revenue and cost recognition.

- Revenue and Cost of pre-fabricated Factory Sales (Eastern Seaboard Industrial Estate (Rayong) Company Limited)

Revenue and cost of pre-fabricated factory sales are recognised upon signing of sale contract.

- Service Income and Cost of Services

Service income and cost of services are recognised on the accrual basis. Service income represents income received from providing public utilities, tap water, raw water, wastewater processing, garbage collection services, construction services and rental services in respect of land, shop house, warehouse, factory and pipe rack to the Industrial Estate. Cost of services represents cost incurred from providing of such services.

The recognition of income from public utilities service is ceased when the customers cease their business operations and are in trouble to make payments.

- Gain from Debt Release Agreements. (Hemaraj Land and Development Public Company Limited and Eastern Pipeline Services Company Limited)

The Company has recorded portions of long-term loans under the Conditional Debt Release Agreements and related interest payable, which would be forgiven, as revenue in the statement of income in full upon the completion of debt repayments.

- Gain from Compromising Debt. (Hemaraj Land and Development Public Company Limited)

The Company has recorded the difference between the aggregate amount of loan and related interest payable, which would be compromised under the Restructuring Agreements as revenue in the statement of income in full on the signing date of the Restructuring Agreement.

- Gain from Debt Settlement by Transferring Assets. (Hemaraj Land and Development Public Company Limited)

The Company has recorded the difference between the aggregate amount of loan and related interest payable, which would be released and the fair value of transferred assets as revenue in the statement of income in full on the signing date of the Restructuring Agreement.

#### Summary of significant accounting policies (continued)

- Loss from Purchase Debt and Right. (Eastern Industrial Estate Company Limited)

The Company has recorded the difference between the expected receivable and the price of purchase debt and right in full at the closing date and will record as revenue once the repayment is collected.

- Other incomes and expenses.

Other incomes and expenses are recognized on the accrual basis.

#### Accounts in Foreign Currency

- A. The financial statements of an overseas subsidiary company are translated into Baht for consolidation purposes using rates of exchange as follows:

- Assets and liabilities are translated at the average selling and purchasing price exchange rate ruling at the end of the year.
- Revenues and expenses are translated at the average selling and purchasing price exchange rate ruling at the end of the month.
- Share capital is translated at the exchange rate ruling on the transaction date.

Adjustments from translation of foreign financial statements are included under shareholders' equity.

- B. Convertible bonds and related transactions are translated into Baht using rates of exchange as follows:

- Convertible bonds are translated into Baht at the forward rate of exchange stated in the Bond prospectus.
- The provision for convertible bond redemption is converted into Baht at the rate of exchange stated in the bond prospectus.
- Accrued interest expense on convertible bonds is translated into Baht at the rate of exchange at the end of the year.

Adjustments from translation are included in the statement of income.

- C. Other foreign currency transactions occurring during the year are converted into Baht at the rates prevailing on the dates of the transactions. Assets and liabilities at the end of the year are converted into Baht at the rates of exchange on that date.

Gain and loss on translation is included in the statement of income.

#### Corporate Income Tax

Corporate income tax for each year is recognised on the accrual basis, which is based on the taxable profit (loss) for the year.

#### Earning (Loss) per Share

Basic earning (loss) per share is computed by dividing net income (loss) attributable to ordinary shareholders for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earning (loss) per share is computed by dividing net income (loss) attributable to ordinary shareholders for the year, as adjusted for the effect of dilutive ordinary shares, by the weighted average number of ordinary shares outstanding during the year plus the number of dilutive ordinary shares.

#### 4. RELATED PARTIES

The Company has certain transactions with its related parties. Intercompany terms are determined at the maximum rate of 5% of contract price for commission on sales, maximum of 5% of service income received for management fees and 7% - 12.50% for interest on loans relating to business operation and expansion, of which the recognition of interest income is ceased when overdue more than 180 days.

Enterprises that directly or indirectly through one or more intermediaries, control, or are under common control with, the Company by through shareholding and/or directors as follows:

COMPANY NAME	TYPE OF BUSINESS	RELATIONSHIP	PERCENTAGE OF HOLDING	
			As of 31 <sup>st</sup> December, 2002	As of 31 <sup>st</sup> December, 2001
<u>Subsidiary Companies</u>				
Eastern Industrial Estate Company Limited	Industrial Estate	Common shareholders and management		
Eastern Seaboard Industrial Estate (Rayong) Company Limited	Industrial Estate	"	60.00	60.00
Eastern Pipeline Services Company Limited*	Pipe Rack Rental	"	99.99	99.99
H-International (BVI) Company Limited	Holding Company	"	100.00	100.00
Hemaraj International Limited	Holding Company	"	99.99	99.99
H-Construction Management and Engineering Company Limited	Design and Construction Supervision Service	"	99.99	99.99
<u>Associated Company</u>				
Elyo - H Facilities Management Limited	Facilities Management Service	Common shareholders and management	39.99	39.99
<u>Related Companies</u>				
Glow Company Limited	Holding Company	Common shareholders and directors	16.99	24.99
Industrial Power Company Limited**	Electricity and Steam Power Generation	"	16.99	24.99
Operation Power Service Company Limited**	Energy Consulting	"	16.99	24.99
Industrial Water Supply Company Limited**	Industrial Water Supply	"	16.99	24.99
Bowin Power Company Limited**	Independent Power Producer	"	21.14	24.99
Sriracha Harbor Public Company Limited	Port Service	"		
Millenium Steel Public Company Limited	Steel Manufacturer and Distributor	"	0.03	0.76
Nakornthai Strip Mill Public Company Limited	Steel Manufacturer and Distributor	"	1.39	1.39
Sun Tech Group Public Company Limited	Agriculture and Scrap Steel Business	"	-	-
Metal Star Company Limited	Cut-to-length Steel Stretching Steel and Sales	Common directors	-	-
Benz BMB Company Limited	Automotive Sales and Service	"	-	-
Standard Inter Trade Company Limited	Automotive Sales and Service	"	-	-
Tractebel S.A.	Energy	Joint investor	-	-
Eastern Fluid Transport Company Limited	Pipe Rack Maintenance	"	15.00	15.00
Siam Food Products Public Company Limited	Processing agriculture produce	"	-	-
Teo Hong Silom Company Limited	Facilities Management Service	"	-	-
Elyo South East Asia PTE LTD	Facilities Management Service	"	-	-
<u>Related Person</u>				
	-	Directors and shareholders	-	-

\* 74.99% directly held by the Company and 25% indirectly held by Eastern Industrial Estate Company Limited

\*\* Indirect holding by Glow Company Limited (formerly: H-Power Company Limited)

Transactions with related parties (continued)

As at December 31, balances with related parties, which are shown in the balance sheets, are as follows:

	(Amounts:Thousand Baht)				Intercompany Terms
	Consolidated		The Company		
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	
<u>Assets</u>					
Advance to related party:					
- Associated Company					
Elyo-H Facilities Management Limited		93	93	93	-
	93				
- Subsidiary company					
Eastern Seaboard Industrial Estate (Rayong) Company Limited					Maximum 5% of contract price and 5% of service income received
Accrued commission and Management income	-	-	50,532	49,800	
	<u>93</u>	<u>93</u>	<u>50,625</u>	<u>49,893</u>	
Long - term loans to related parties:					
- Subsidiary companies					
Eastern Industrial Estate Company Limited					
Loans and accrued interest income	-	-	416,730	280,278	MLR(TFB)+1%
Eastern Seaboard Industrial Estate (Rayong) Company Limited					
Loans and accrued interest income	-	-	78,000	-	MLR(TFB)+1%
Eastern Pipeline Services Company Limited					
Loans and accrued interest income	-	-	38,628	-	MLR(TFB)+1%
H-Construction and Engineering Company Limited					
Loans and accrued interest income	-	-	522	-	-
- Related Companies					
Tractebel S.A.					
Loans and accrued interest income	62,029	401,429	62,029	401,429	LIBOR + 2%
Sriracha Harbor Public Company Limited					
Loans and accrued interest income, net	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	1% - MLR
Total	<u>62,038</u>	<u>401,438</u>	<u>595,918</u>	<u>681,716</u>	

Transactions with related parties (continued)

	(Amounts: Thousand Baht)				Intercompany Terms
	Consolidated		The Company		
	2002	2001	2002	2001	
<u>Liabilities</u>					
Short - term loans from related parties :					
- Subsidiary company					
Eastern Seaboard Industrial Estate (Rayong) Company Limited					
Advance received	-	-	26,726	32,134	-
- Related company					
Siam Food Public Company Limited					
Loans and accrued interest expense	<u>52,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	8%
Total	<u>52,000</u>	<u>-</u>	<u>26,726</u>	<u>32,134</u>	
Long - term loans from related parties :					
- Subsidiary company					
H-International (BVI) Company Limited					
Loans from repurchase of convertible bonds	-	-	453,783	1,010,139	-
Other loans	-	-	573,025	453,417	-
- Related company					
Other loan	<u>-</u>	<u>1,518</u>	<u>-</u>	<u>1,518</u>	-
Total	<u>-</u>	<u>1,518</u>	<u>1,026,808</u>	<u>1,465,074</u>	
Loans from related person	244,250	285,000	-	-	MLR+1%

The significant transactions with related parties for the years ended December 31, 2002 and 2001 are as follows:

	MILLION BAHT				INTERCOMPANY COST POLICY
	CONSOLIDATED		THE COMPANY ONLY		
	2002	2001	2002	2001	
Land sale	-	0.20	-	0.20	
Service income	37.04	30.59	3.78	0.31	-
Interest income	10.57	56.91	38.55	97.00	MLR (TFB) + 1% and LIBOR + 2%
Commission and Management Income	-	-	34.05	44.25	Maximum 5% of contract price and 5% of service income received
Other income	-	-	-	2.96	-
Cost of service	9.13	4.75	8.61	1.34	-
Interest expenses	3.82	17.99	-	-	MLR (TFB) + 1%

Transactions with related parties (continued)

As at December 31, 2002 the Company's investment for using the equity method are as follows:

Company	Type of Business	Relationship	Paid-up Capital (Million Baht)	Holding of Interest (%)	Investments		
					Cost (Million Baht)	Net Change in Equity (Million Baht)	Equity (Million Baht)
<u>Subsidiary Companies</u>							
Eastern Industrial Estate Company Limited	Industrial Estate	Co. shareholders And management	400.00	99.99	400.00	(27.58)	372.42
Eastern Seaboard Industrial Estate (Rayong) Company Limited	Industrial Estate	„	358.00	60.00	214.80	614.21	829.01
Eastern Pipeline Services Company Limited*	Pipe Rack Rental	„	15.00	99.99	11.25	2.15	13.40
H-International (BVI) Company Limited	Holding Company	„	0.08	100.00	0.08	826.80	826.88
Hemaraj International Limited	Holding Company	„	0.03	99.99	0.03	0.01	0.04
H-Construction Management and Engineering Company Limited	Design and Construction Supervision Services	„	0.25	99.99	0.25	0.70	0.95
<u>Associated Company</u>							
Elyo-H Facilities Management Limited	Facilities Management Services	„	26.29	39.99	<u>10.50</u>	<u>(4.68)</u>	<u>5.82</u>
Total					<u>636.91</u>	<u>1,411.61</u>	<u>2,048.52</u>

\* 74.99% directly held by the Company and 25% indirectly held by Eastern Industrial Estate Company Limited

Additional information

- H-International (BVI) Company Limited was registered in the British Virgin Islands (US. currency used for business operation).
- Hemaraj International Limited was registered in the Cayman Islands (US. currency used for business operation).
- During the year 2002, the Company received dividend from Eastern Seaboard Industrial Estate (Rayong) Company Limited amounting to Baht 45.54 million and from H-International (BVI) Company Limited amounting to Baht 175 million.

Transactions with related parties (continued)

As at December 31, 2001, the Company's investment for using the equity method are as follows:

Company	Type of Business	Relationship	Paid-up Capital (Million Baht)	Holding of Interest (%)	Investments		
					Cost (Million Baht)	Net Change in Equity (Million Baht)	Equity (Million Baht)
<u>Subsidiary Companies</u>							
Eastern Industrial Estate Company Limited	Industrial Estate	Co. shareholders And management	400.00	99.99	400.00	105.04	505.04
Eastern Seaboard Industrial Estate (Rayong) Company Limited	Industrial Estate	„	358.00	60.00	214.80	549.07	763.87
Eastern Pipeline Services Company Limited*	Pipe Rack Rental	„	60.00	99.99	-	(24.88)	(24.88)
H-International (BVI) Company Limited	Holding Company	„	0.08	100.00	0.08	1,007.97	1,008.05
Hemaraj International Limited	Holding Company	„	0.03	99.99	0.03	0.01	0.04
H-Construction Management and Engineering Company Limited	Design and Construction Supervision Services	„	0.25	99.99	0.25	(0.24)	0.01
<u>Associated Company</u>							
Elyo-H Facilities Management Limited	Facilities Management Services	„	17.20	39.99	<u>6.88</u>	<u>(2.87)</u>	<u>4.01</u>
Total					<u>622.04</u>	<u>1,634.10</u>	<u>2,256.14</u>

\* 74.99% directly held by the Company and 25% indirectly held by Eastern Industrial Estate Company Limited

Additional information

- H-International (BVI) Company Limited was registered in the British Virgin Islands (US. currency used for business operation).
- Hemaraj International Limited was registered in the Cayman Islands (US. currency used for business operation).
- During the year 2001, no dividend was received from subsidiary, associated and related companies except for a dividend from Eastern Seaboard Industrial Estate (Rayong) Company Limited amounting to Baht 23.63 million.

Transactions with related parties (continued)

Other long-term investments - related parties, net

	THOUSAND BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
<u>Investments in related parties</u>				
Glow Company Limited (formerly: H-Power Company Limited)	-	26,937	-	26,937
<u>Investments in related parties</u>				
Sriracha Harbor Public Company Limited	75,300	75,300	75,300	75,300
Eastern Fluid Transport Company Limited	1,500	1,500	-	-
Bowin Power Company Limited	125,000	-	125,000	-
Glow Company Limited (formerly: H-Power Company Limited)	226,763	-	226,763	-
Total	428,563	76,800	427,063	75,300
<u>Less</u> Impairment loss on investments	(54,105)	(54,105)	(54,105)	(54,105)
Investments in related parties, net	374,458	22,695	372,958	21,195
Other long-term investments - related parties, net	374,458	49,632	372,958	48,132

Hemaraj Land and Development Public Company Limited

- a) According to the resolution passed by the Board of Directors' Meeting No. 1/2000 dated February 8, 2000, the Company entered into a share transfer agreement with Tractebel S.A. ("Tractebel"), an overseas business cooperation company and transferred its 33.25 million shares in Glow Company Limited ("Glow"), an associated company, to Tractebel. All remuneration from such transactions were funded to Glow for Bowin Power Plant Project development in full under the condition of conversion into share capital of such company in the future.

In the year 2001, the Company entered into a debt restructuring agreement with Tractebel as resolved by the 3/2001 Board of Directors' Meeting held on November 30, 2001. Subsequently, in the third quarter of 2002, the Board of Directors had passed the resolution at the meeting No. 7/2545 dated August 14, 2002 to amend the Restructuring Agreement that a part of the sale to Tractebel for the loan to Glow Company should be used to pay for paid up capital of Bowin Power, and the balance of unpaid up portion of the shares capital of Glow Company, and reserve for payment of the increase in Bowin Power share capital in the future. However, the Company have the right to proceed in selling of all of Glow Company shares. For the year 2002, the Company sold part of the Glow share capital. As a result, the Company shares remaining in Glow is 16.99%.

- b) During the period 2002, the Company purchased 449,993 ordinary shares of Eastern Pipeline Service Company Limited from Eastern Industrial Estate Company Limited at book value of the said subsidiary as at December 31, 2002. As a result, the Company is holding 74.99% directly and 25% indirectly through Eastern Industrial Estate Company Limited.

Later in November 2002, the said subsidiary has decreased its authorized ordinary shares from 600,000 shares to 150,000 shares. However, it did not affect the Company's holding structure in Eastern Pipeline Services Company Limited directly and indirectly.

5. CASH AND CASH EQUIVALENTS, NET

For the purpose of preparation of the statements of cash flows in accordance with the relevant Thai Accounting Standard, as of December 31, 2002 and 2001, cash and cash equivalents, net consisted of:

	THOUSAND BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Cash on hand and at banks	124,082	110,095	21,096	9,421
Current investments - time deposits	34,192	45,862	527	546
<u>Less</u> Cash at banks pledged as collateral and deposits with maturity dates longer than 3 months	(28,186)	(46,898)	(527)	(546)
Cash and cash equivalents, Net	130,088	109,059	21,096	9,421

## 6. DEPOSITS FOR INVESTMENT

### H-International (BVI) Company Limited

Deposits for investment as at December 31, 2002 represent deposits with an overseas investment adviser in the amount of USD 8.6 million under the Non-Discretionary Investment Advisory Agreement dated September 18, 2001, which aim at investment in assets and investments overseas.

According to the agreement condition, the investment adviser shall provide investment advisory service and act as representative of the Company to enter into transactions associated with assets as assigned by the Company. The Company has commitment to pay the investment advisory fee on a yearly basis.

## 7. CURRENT INVESTMENTS

As at December 31, 2002 and 2001, current investments consisted of:

	THOUSAND BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Time deposits	34,192	45,862	527	546
Current investments classified as				
Available-for-sale securities - Equity securities				
- Nakornthai Strip Mill Plc.	82,900	82,900	82,900	82,900
- Millenium Steel Plc.	2,524	3,054	2,524	3,054
- Other companies and unit trusts	49,820	281	49,820	282
	<u>135,244</u>	<u>86,235</u>	<u>135,244</u>	<u>86,236</u>
<u>Less</u> Allowance for revaluation of investments	-	-	-	-
Accumulated impairment loss on investments	<u>(79,748)</u>	<u>(85,954)</u>	<u>(79,748)</u>	<u>(85,954)</u>
Current investments classified as				
Available-for-sale securities - Equity securities - net	<u>55,496</u>	<u>281</u>	<u>55,496</u>	<u>282</u>
Total Current Investments	<u><u>89,688</u></u>	<u><u>46,143</u></u>	<u><u>56,023</u></u>	<u><u>828</u></u>

The Company exchanged ordinary shares and warrants of NTS Steel Group Public Company Limited for ordinary shares and warrants of Millenium Steel Public Company Limited at the ratio of 1:1 according to NTS Steel Group Public Company Limited's restructuring plan.

## 8. TRADE ACCOUNTS RECEIVABLE - OTHER PARTIES, NET

As of December 31, 2002 and 2001, trade accounts receivable - other parties consisted of:

	THOUSAND BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Land sale contracts receivable				
Land sale contracts	381,515	588,558	1,987	3,487
<u>Less</u> Installments received	<u>(109,899)</u>	<u>(506,758)</u>	<u>(652)</u>	<u>(2,152)</u>
Installments receivable	<u>271,616</u>	<u>81,800</u>	<u>1,335</u>	<u>1,335</u>
<u>Less</u> Deferred income	<u>(39,776)</u>	<u>(17,283)</u>	<u>-</u>	<u>-</u>
Land Sale Contracts Receivable, net	<u>231,840</u>	<u>64,517</u>	<u>1,335</u>	<u>1,335</u>
Service receivables				
Accrued service income	39,757	42,783	32,119	6,693
<u>Less</u> Allowance for doubtful accounts	<u>(17,124)</u>	<u>(12,639)</u>	<u>(30,091)</u>	<u>(5,427)</u>
Service Receivables, net	<u>22,633</u>	<u>30,144</u>	<u>2,028</u>	<u>1,266</u>
Trade accounts receivable				
- other parties, Net	<u>254,473</u>	<u>94,661</u>	<u>3,363</u>	<u>2,601</u>

Trade accounts receivable - other parties, net (continued)

As of December 31, 2002 and 2001, the land sale contracts receivable and accrued service income classified by aging are as follows:

	THOUSAND BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
<u>Land sale contracts receivable</u>				
Undue installments	231,840	65,565	1,335	101
Less than 3 months	-	300	-	300
Over 3 months to 12 months	-	848	-	847
Over 12 months	-	-	-	-
Installments paid on date of transfer of title deed	-	15,087	-	87
<u>Less</u> Deferred income	-	(17,283)	-	-
Total land sale contracts receivable	<u>231,840</u>	<u>64,517</u>	<u>1,335</u>	<u>1,335</u>
<u>Accrued service income</u>				
Less than 3 months	23,883	30,999	3,278	2,114
Over 3 months to 6 months	1,182	1,658	266	266
Over 6 months to 12 months	2,591	1,446	1,601	422
Over 12 months	12,101	8,680	4,843	3,891
	39,757	42,783	9,988	6,693
<u>Less</u> Allowance for doubtful accounts	(17,124)	(12,639)	(7,960)	(5,427)
Accrued service income, Net	<u>22,633</u>	<u>30,144</u>	<u>2,028</u>	<u>1,266</u>

9. COST OF REAL ESTATE DEVELOPMENTS, NET

As at December 31, 2002 and 2001, cost of real estate developments consisted of:

	THOUSAND BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Land cost - under development	3,076,675	2,743,483	845,411	850,138
Development project costs	4,865,863	4,583,426	927,723	1,011,028
Interest capitalised	1,776,321	1,795,804	634,971	654,412
Additional utility cost	7,340	7,054	7,185	7,054
Advance for construction costs	4,305	7,419	-	-
	9,730,504	9,137,186	2,415,290	2,522,632
<u>Less</u> Accumulated costs transferred to cost of land sales	(6,848,611)	(6,252,139)	(1,897,704)	(1,714,174)
Accumulated costs transferred to be assets for rent	(343,850)	(346,349)	-	(107,472)
Accumulated costs transferred to repay debt	(143,838)	(137,597)	(143,838)	(137,597)
	2,394,205	2,401,101	373,748	563,389
<u>Less</u> Loss on projects revaluation	(38,480)	-	(38,480)	-
Cost of Real Estate Developments, net	<u>2,355,725</u>	<u>2,401,101</u>	<u>335,268</u>	<u>563,389</u>

Cost of real estate developments (continued)

Hemaraj Land and Development Public Company Limited

Eastern Industrial Estate Company Limited

Eastern Seaboard Industrial Estate (Rayong) Company Limited

Valuation Stated in the Financial Statements

Cost of real estate developments is stated at the lower of aggregate cost or net realisable value. During the year 2002, the Company and the 2 subsidiaries had obtained appraisal by an appraisal firm and had recognised loss on projects evaluation in the statements of income.

Obligation of Assets as at December 31, 2002

The majority of land in the projects of the Company and the 2 subsidiaries has been mortgaged as collateral for loans from local financial institutions and the other part has been mortgaged as collateral for the issue of the US\$ 15.1 million Guaranteed Bonds of an overseas subsidiary company.

Capitalisation of Borrowing Costs

Consolidated

For the years ended December 31, 2002 and 2001, interest expenses are capitalised to the cost of real estate developments in the approximate amounts of Baht 31.41 million and Baht 41.06 million, respectively.

The Company

The Company has ceased interest capitalisation since January 1, 1999.

Debt Settlement by Transferring Assets (Hemaraj Land and Development Public Company Limited)

During 2001, the Company transferred the land in its industrial estate with the cost of Baht 137.60 million to the Industrial Estate Authority of Thailand to repay debts of the Company and a subsidiary company and as a fund in accordance with the amendment to the joint operation agreements dated October 31, 2001 as disclosed in Note 13 and Note 28 to the financial statements.

During 2002, the Company transferred the land in its industrial estate with the cost of Baht 143.84 million to an asset management company, which received rights claim of the asset from a commercial bank to settle the debt under the Restructuring Agreement as disclosed in Note 24 to the financial statements.

10. PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2002 and 2001, property, plant and equipment consisted of:

	<u>Changes in Cost</u>					<u>Changes in Accumulated Depreciation</u>					<u>Net Book Value</u>	
	<u>Beginning</u>	<u>Addition</u>	<u>Sale</u>	<u>Transfer</u>	<u>Ending</u>	<u>Beginning</u>	<u>Depreciation</u>	<u>Sale</u>	<u>Transfer</u>	<u>Ending</u>	<u>Beginning</u>	<u>Ending</u>
<u>Consolidated</u>												
Land	17.28	-	-	-	17.28	-	-	-	-	-	17.28	17.28
Building and structure	203.43	0.77	-	-	204.20	42.25	7.87	-	-	50.12	161.18	154.06
Building improvements	3.79	0.58	(0.14)	-	4.23	1.48	0.72	-	-	2.20	2.31	2.03
Office equipment and furniture and fixture	68.51	3.36	(0.93)	-	70.94	46.85	7.09	(0.21)	-	53.73	21.66	17.22
Vehicles	34.40	6.95	(6.18)	-	35.17	16.84	5.67	(5.98)	-	16.53	17.56	18.64
Construction in progress	10.62	-	-	-	10.62	-	-	-	-	-	10.62	10.63
Raw water pipe	<u>3.66</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3.66</u>	<u>0.88</u>	<u>0.24</u>	<u>-</u>	<u>-</u>	<u>1.12</u>	<u>2.78</u>	<u>2.54</u>
Total	341.69	11.66	(7.25)	-	346.10	108.30	21.59	(6.19)	-	123.70	233.39	222.40
<u>Less</u> Reserve for impairment loss of assets											(10.17)	(10.17)
<u>Less</u> Reserve for possible loss of title of land and office building											(36.96)	(36.96)
Property, Plant and Equipment, net	<u>341.69</u>	<u>11.66</u>	<u>(7.25)</u>	<u>-</u>	<u>346.10</u>	<u>108.30</u>	<u>21.59</u>	<u>(6.19)</u>	<u>-</u>	<u>123.70</u>	<u>186.26</u>	<u>175.27</u>
<u>The Company</u>												
Land	2.93	-	-	-	2.93	-	-	-	-	-	2.93	2.93
Building and structure	45.35	-	-	-	45.35	11.32	-	-	-	11.32	34.03	34.02
Building improvements	1.56	-	(0.14)	-	1.42	1.42	-	-	-	1.42	0.14	
Office equipment and furniture and fixture	37.22	2.21	(0.93)	-	38.50	29.62	2.72	(0.21)	-	32.13	7.60	6.37
Vehicles	17.70	5.05	(1.55)	-	21.20	7.09	3.85	(1.36)	-	9.58	10.61	11.62
Construction in progress	0.86	-	-	-	0.86	-	-	-	-	-	0.86	0.86
Raw water pipe	<u>3.66</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3.66</u>	<u>0.88</u>	<u>0.24</u>	<u>-</u>	<u>-</u>	<u>1.12</u>	<u>2.78</u>	<u>2.54</u>
Total	109.28	7.26	(2.62)	-	113.92	50.33	6.81	(1.57)	-	55.57	58.95	58.34
<u>Less</u> Reserve for impairment loss of assets											(0.72)	(0.72)
<u>Less</u> Reserve for possible loss of title of land and office building											(36.96)	(36.96)
Property, Plant and Equipment, net	<u>109.28</u>	<u>7.26</u>	<u>(2.62)</u>	<u>-</u>	<u>113.92</u>	<u>50.33</u>	<u>6.81</u>	<u>(1.57)</u>	<u>-</u>	<u>55.57</u>	<u>21.27</u>	<u>20.66</u>

Property, plant and equipment (continued)

Consolidated

For the year ended December 31, 2002, depreciation of building and equipment are included in selling and administrative expenses and cost of services in the amounts of Baht 12.86 million and Baht 9.23 million, respectively.

The Company

For the year ended December 31, 2002, depreciation of building and equipment are included in selling and administrative expenses and cost of services in the amounts of Baht 6.45 million and Baht 0.37 million, respectively.

Hemaraj Land and Development Public Company Limited

As at December 31, 2002, the Company has provided reserve for loss of the possessory right over the land and office building in the amount of Baht 36.96 million as the management of the Company view that the Company may not receive transfer of such possessory right.

11. LEASEHOLD LAND AND LAND HELD FOR COMMERCIAL PURPOSES

As at December 31, 2002 and 2001, leasehold land and land held for commercial purposes consisted of:

	THOUSAND BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Land bank	10,201	10,201	10,201	10,201
Land cost of projects suspended from development	1,135,711	1,406,047	1,135,711	1,134,937
Suspended development project costs	266,909	268,526	266,909	266,499
Interest capitalized	556,119	556,409	556,119	556,119
Leasehold land	77,077	77,077	77,077	77,077
	<u>2,046,017</u>	<u>2,318,260</u>	<u>2,046,017</u>	<u>2,044,833</u>
<u>Less</u> Accumulated costs transferred to repay debt	(645,413)	-	(645,413)	-
Loss on projects evaluation	(315,322)	(561,629)	(315,322)	(561,629)
	<u>(960,735)</u>	<u>(561,629)</u>	<u>(960,735)</u>	<u>(561,629)</u>
Leasehold Land and Land Held for Commercial Purposes, net	<u>1,085,282</u>	<u>1,756,631</u>	<u>1,085,282</u>	<u>1,483,204</u>

Hemaraj Land and Development Public Company Limited

Eastern Industrial Estate Company Limited

Eastern Seaboard Industrial Estate (Rayong) Company Limited

Valuation Stated in the Financial Statements

Leasehold land and land held for commercial purposes is stated at the lower of aggregate cost or net realisable value for which during the year 2002, the Company and the subsidiary had obtained appraisal by an appraisal firm and had recognised loss from projects evaluation in the statements of income.

Obligation of Assets as at December 31, 2002

The majority of land in the projects of the Company and the subsidiary has been mortgaged as collateral for loans from local financial institutions and the other part has been mortgaged as collateral for the issue of the US\$ 19.2 million Guaranteed Bonds of an overseas subsidiary company.

Assets Transfer for Debt Repayment (Hemaraj Land and Development Public Company Limited)

During 2002, the Company transferred the land in its industrial estate with the cost of Baht 645.41 million to an asset management company, which received rights claim of the assets from a commercial bank to settle the debt under the Restructuring Agreement as disclosed in Note 24 to the financial statements.

## 12. ASSETS FOR RENT

As at December 31, 2002 and 2001, assets for rent consisted of:

(Amounts:Million Baht)

	<u>Changes in Cost</u>					<u>Changes in Accumulated Depreciation</u>					<u>Net Book Value</u>	
	<u>Beginning</u>	<u>Addition</u>	<u>Sale/Written off</u>	<u>Transfer</u>	<u>Ending</u>	<u>Beginning</u>	<u>Depreciation</u>	<u>Sale/Written off</u>	<u>Transfer</u>	<u>Ending</u>	<u>Beginning</u>	<u>Ending</u>
<u>Consolidated</u>												
Land	65.05*	14.81	(25.20)***	-	54.66*	-	-	-	-	-	65.05	54.66
Building	280.59*	90.16	(82.27)***	-	288.48*	22.07	16.33	(15.51)	-	22.89	258.52	265.59
Pipe rack	<u>116.52</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116.52</u>	<u>28.40</u>	<u>7.77</u>	<u>-</u>	<u>-</u>	<u>36.17</u>	<u>88.12</u>	<u>80.35</u>
Total	<u>462.16</u>	<u>104.97</u>	<u>(107.47)</u>	<u>-</u>	<u>459.66</u>	<u>50.47</u>	<u>24.10</u>	<u>(15.51)</u>	<u>-</u>	<u>59.06</u>	<u>411.69</u>	<u>400.60</u>
<u>The Company</u>												
Land	25.20**	-	(25.20)***	-	-	-	-	-	-	-	25.20	-
Building	<u>82.27**</u>	<u>-</u>	<u>(82.27)***</u>	<u>-</u>	<u>-</u>	<u>11.36</u>	<u>4.15</u>	<u>(15.51)</u>	<u>-</u>	<u>-</u>	<u>70.91</u>	<u>-</u>
Total	<u>107.47</u>	<u>-</u>	<u>(107.47)</u>	<u>-</u>	<u>-</u>	<u>11.36</u>	<u>4.15</u>	<u>(15.51)</u>	<u>-</u>	<u>-</u>	<u>96.11</u>	<u>-</u>

### Consolidated

- As at December 31, 2002 and 2001, portions of land and building for rent, which have been transferred from the cost of real estate developments, were in the accumulated amounts of Baht 343.13\* million and Baht 345.64\* million, respectively.
- Depreciation of building and pipe rack for the year ended December 31, 2002 is included in cost of services.
- Debt Settlement by Transferring Assets \*\*\*

### The Company

- As at December 31, 2002, portion of land and building for rent, which has been transferred from the cost of real estate developments, was in the accumulated amount of Baht 107.47\*\* million.
- Depreciation of building for the year ended December 31, 2002 is included in cost of services.

### 13. SINKING FUND

As disclosed in the Note 28 to the financial statements, the Company and its subsidiaries had entered into the joint operating agreements with the Industrial Estate Authority of Thailand ("IEAT"). The Company and its subsidiaries are committed to be a provider and to set up a fund ("Sinking Fund") for the maintenance and reconstruction of utilities systems and facilities for the customers in the industrial estate. The Company and its subsidiaries had made the payment by cash and by transferred of partial piece of land for the Sinking Fund and in addition, the company and its subsidiaries had transferred the withdrawal rights over the Sinking fund to the IEAT per the terms and conditions of such agreements. As a service provider for utilities system and facilities in the industrial estate under the current joint agreement with IEAT, the Company believed and proposed that the Sinking Fund should also be an asset of the joint operating partner in order to be consistent with the infrastructure assets. Thai Industrial Estate Association, of which the Company and its subsidiaries are members, are under negotiation with IEAT to amend the agreement in order to make clear and comply with the Company's proposal. On January 21, 2003, the Board of IEAT had a resolution to accept in the concept and during the procedure to amend the announcement appropriately.

As at December 31, 2002 and 2001, Sinking Fund consisted of :

	<u>THOUSAND BAHT</u>	
	<u>2002</u>	<u>2001</u>
Hemaraj Land and Development Public Company Limited	149,434	147,485
Eastern Industrial Estate Company Limited	77,200	76,189
Eastern Seaboard Industrial Estate (Rayong) Company Limited	<u>162,600</u>	<u>136,661</u>
Total	<u>389,234</u>	<u>360,335</u>

### 14. CONVERTIBLE BONDS AND DEFAULTS ON DEBT REPAYMENTS

On September 9, 1993, Hemaraj Land and Development Public Company Limited were issued the US\$ 60 million convertible bonds, which bear interest at the rate of 3.5 percent per annum, net of withholding tax, payable annually commencing on September 9, 1994, and will be redeemed on September 9, 2003.

On September 10, 1993, a resolution was passed by the Board of Directors Meeting No.11/1993 to approve the Company to manage funds from convertible bonds in the amount of Baht 1,512.18 million for developing land for commercial purposes and to record the interest from convertible bonds as a part of land development cost.

#### Conversion and Option for Redemption

As from December 9, 1993 up to August 9, 2003, each convertible bond may be converted into 135 fully paid ordinary shares of the Company. Such conversion rate may be changed as a result of the issue of warrants and the offering of ordinary shares as disclosed in Note 25 to the financial statements, respectively. At present, the Company is waiting for the confirmation from the trustee for the new conversion rate.

The convertible bonds may be redeemed, in whole or in part, by the Company as from September 9, 1996 at varying percentages of the principal amount from 109.28 percent to 116.50 percent of principal amount. At the option of the bondholders, the Company must redeem such convertible bonds on September 9, 1998 at 116.50 percent of principal amount.

#### Repurchase of Convertible Bonds

During 1998 and 1997, an overseas subsidiary repurchased part of the Hemaraj Land and Development Public Company Limited's convertible bonds. According to the Bond prospectus, the repurchased convertible bonds shall be cancelled forthwith. As at December 31, 2001 and 2000, repurchased convertible bonds were in the approximate amounts of US\$ 30.34 million, which were shown as loan from repurchase of convertible bonds.

During the second and the third quarter of 2002, the Company had made an offer to retire 211 units and 553 units of the bonds respectively from the bondholders.

Convertible bonds and defaults on debt repayments (continued)

Remaining Convertible Bonds and Provision for Convertible Bond Redemption

As at December 31, 2002 and 2001, the remaining convertible bonds were in the amount of US\$ 23.25 million (Baht 585.99 million) and in the amount of US\$ 24.02 million (Baht 605.25 million), respectively. The Company has based the provision for redemption of the remaining convertible bonds. As at December 31, 2002 and 2001, the Company had reserved provision for convertible bond redemption in the approximate amounts of Baht 616.31 million and Baht 666.84 million, respectively, and included these amounts within convertible bonds.

Defaults on Debt Repayments for Convertible Bonds

The Company failed to redeem the convertible bonds which the bondholders sought redemption in accordance with their rights on September 9, 1998, and failed to meet payments of interest on convertible bonds which were due on September 9, 1998, 1999, 2000, 2001 and 2002. As of December 31, 2002, accrued interest on convertible bonds totaled US\$ 5.09 million (Baht 220.36 million). In addition, on April 28, 2000, a resolution was passed by the Annual General Meeting of Shareholders giving approval for the Company to change some conditions of convertible bonds for the convenience of debt restructuring, based on the results of negotiation for debt restructuring.

The Board of Directors' meeting on July 15, 2002 resolved the Company to call a convertible bondholders' meeting to approve the redemption of all outstanding bonds at 50 percent of the par value on September 9, 2003, waive and discharge all outstanding claims under the bonds including all accrued interest and any other monetary debt. As at September 2, 2002, the Company had called the convertible bondholders' meeting to approve the said offer, which 71 percent of the total votes supported the proposal. However, 75 percent of the total votes was needed to be treated as the resolution. Currently, the Company is in the process of negotiating to get the approval from the bondholders.

15. LONG-TERM LOANS TO RELATED PARTIES

As of December 31, 2002, Hemaraj Land and Development Public Company Limited has made loan agreement with an overseas subsidiary company, H-International Company Limited, in the amount of Baht 1,026.89 million, which do not have the maturity date and interest rate.

16. LOANS FROM RELATED PERSONS

Eastern Seaboard Industrial Estate (Rayong) Company Limited

As at December 31, loans from related persons consisted of:

	Credit Line (Million Baht)	Credit Period	Term	Total Installments	Conditions	Interest Payment		Balances	
						Period	Rate (%)	2002	2001
a. Loan from director in term of promissory note with grace period of 1 year	80.00	November 2000 to April 2004	Quarterly	4	Total of the first 3 periods, which approximates 25% of principal of each promissory note for Baht 80 million loan and the remaining will, after grace period, be repaid in the last period. and 48 months equal installments be repaid for Baht 10 million loan.	Monthly	MLR+1% of Thai Farmers Bank Plc.	58.67	80.00
	10.00	August 2002 to July 2007	Monthly	12				10.00	
b. Loan from 3 shareholders in terms of promissory note with grace period of 1 year									
- Under the agreement dated October 31, 2000	165.00	November 2000 to August 2005	Quarterly	4	Total of the first 3 periods, which approximates 25% of principal of each promissory note will, after grace period, be repaid equally for each period and the remaining will be repaid in the last period.	Monthly	MLR+1% of Thai Farmers Bank Plc.	132.41	165.00
- Under the agreement dated October 31, 2000 and July 24, 2002	20.00 10.00	May 2001 to July 2005	Quarterly Monthly	4 12	Total of the first 3 periods, which approximates 25% of principal of each promissory note for Baht 20 million loan and the remaining will, after grace period, be repaid equally in the last period for 48 months for Baht 10 million loan.	Monthly	MLR+1% of Thai Farmers Bank Plc.	16.00 10.00	20.00 -
- Under the agreement Dated May 2, 2001	<u>20.00</u>	May 2001 to July 2005	Quarterly	4	Total of the first 3 periods, which approximates 25% of principal of each promissory note will, after grace period, be repaid in the last period. and 48 months equal installments be repaid for Baht 10 million loan.	Monthly	MLR+1% of Thai Farmers Bank Plc.	<u>17.17</u>	<u>20.00</u>
Total	<u>305.00</u>							244.25	285.00
<u>Less</u> Current portion of long-term loan								<u>(118.08)</u>	<u>(102.77)</u>
Loans from Director and Related Person, net								<u>126.17</u>	<u>182.23</u>

The Company obtained loans from its director and related person for financing the construction of micro pre-fabricated factories and mini pre-fabricated factories for sale and rent. Part of land and factories has been mortgaged as collateral for such loans.

## 17. LONG-TERM LIABILITIES

As at December 31, long-term liabilities consisted of:

(Amounts: Million Baht)

Credit Line (Million Baht)	Credit Period	Current Repayment Condition					Balances					
		Principal Repayment			Interest Payment		Consolidated		The Company			
		Installment Amount (Million Baht)	Term	Total Installments	Term	Rate (%)	2002	2001	2002	2001		
<u>Hemaraj Land and Development Public Company Limited</u>												
Loans from 2 local banks and 3 local finance institutions												
1) Loan with credit line of Baht 1,200 million, to be repaid within 3 years as from September 28, 1994. Payment, when no mortgage, is at the rate of 60% of transferred land price. The interest rate is MLR+1% per annum. On September 30, 1998, the company had the 1 <sup>st</sup> negotiation on restructuring and the 2 <sup>nd</sup> negotiation on September 28, 2000. Payment for the loan had been made on December 26, 2002.	debt	107.55	September 28, 2000 to December 30, 2005	Payment is made, when no mortgage, at the rate of 65% of the transferred land price and at the minimum annual rate as specified in the agreement, commencing in 2001	Monthly	MLR	-	107.55	-	107.55		
2) Loan with credit line of Baht 297 million and grace period of 18 months, which changed from promissory note from the 1 <sup>st</sup> debt restructuring on September 30, 1998, to be repaid within 14 quarters from June 2000 to September 2003. The interest rate is MLR per annum, payable monthly. The 2 <sup>nd</sup> debt restructuring was negotiated on September 28, 2000. Payment for the loan had been made on December 26, 2002.		297.00	September 28, 2000 to December 30, 2005	Payment is made, when no mortgage, at the rate of 65% of the transferred land price and at the minimum annual rate as specified in the agreement, commencing in 2001	Monthly	MLR	-	297.00	-	297.00		
3) Loan in the amount of Baht 150 million, to be repaid within 12 quarters, in 3 years from 1996. The interest rate is MLR+1% per annum. According to the results of debt restructuring on December 14, 1998 and November 29, 2001, respectively. On October 10, 2002, the latest debt restructuring is reached under current repayment conditions.		75.00	September 30, 2001 To December 30, 2005	5.36 Commencing In September 2002	Quarterly	14	Monthly	MLR	58.92	75.00	58.92	75.00
4) Loan with credit line of Baht 100 million and grace period of 36 months, which was changed from promissory note, is to be repaid within December, 2003 commencing on December 14, 2001. On November 29, 2002 until October 10 2002, the latest debt restructuring is reached under current repayment conditions.		100.00	September 30, 2001 To December 30, 2005	7.14 Commencing in September 2002	Quarterly	14	Monthly	MLR	78.58	100.00	78.58	100.00

Long-term liabilities (continued)

(Amounts: Million Baht)

Credit Line (Million Baht)	Credit Period	Current Repayment Condition					Balances			
		Principal Repayment			Interest Payment		Consolidated		The Company	
		Installment Amount (Million Baht)	Term	Total Installments	Term	Rate (%)	2002	2001	2002	2001
5) Loan in the amount of Baht 110 million, to be repaid within 20 months as from February 13, 1996. The interest rate is MLR+0.5% per annum. Debt restructuring had been negotiated on June 24, 1998 and March 31, 1999, respectively. Subsequently, debt claim right of lender had been transferred to a mutual fund, which the company had entered into a Debt Compromising Agreement, dated September 5, 2002 under current repayment conditions.	September 30, 2002 To March 30, 2004	7.27 Commencing in September 2002	Monthly	18	-	-	101.75	130.82	101.75	130.82
6) Loan under the Conditional Debt Release Agreement dated July 31, 2000, the original principal of Baht 172 million is to be repaid totaling Baht 86.93 million, of which Baht 12.62 million was repaid at beginning of the agreement. The remaining Baht 74.31 million is to be repaid as described in current repayment conditions. The first installment due on July 31, 2000. The remaining had been repaid on June 28, 2002.	July 31, 2000 To December 31, 2002	Minimum 2.87	Monthly	30	Monthly	11.75	-	117.42	-	117.42
Total							239.25	827.79	239.25	827.79
<u>Eastern Industrial Estate Company Limited</u>										
Loan from a local bank with credit line of Baht 93 million and grace period of 18 months, which was changed from promissory note from debt restructuring on September 30, 1998, to be repaid within 6 quarters from June, 2000 to September, 2001. The interest rate is MLR per annum, payable monthly. Subsequently, on August 30, 2000 and February 6, 2002 the debt restructuring negotiations are reached. Amendment on Debt Restructuring Agreement had been made on March 4, 2002 under current repayment conditions.	February 6, 2002 To December 30, 2004	Payment is made, when no mortgage, at the rate of 70% of the transferred land price and at the minimum annual rate as specified in the agreement, commencing in 2002.	Monthly		MLR		84.00	93.00	-	-
Total							84.00	93.00	-	-
<u>Eastern Seaboard Industrial Estate (Rayong) Company Limited</u>										
Loans from 2 local commercial banks consisted of:										
1) Loan with credit line of Baht 550 million, repayable within March, 2000, subsequently, extended to March 2001. Latest, the repayment term is extended to be within March 2003.	March, 2000 To March, 2003	Repayable as titles are transferred at 50% of land contract price and the outstanding amount repayable within March, 2003.	Monthly		MLR		19.14	160.20	-	-

Long-term liabilities (continued)

(Amounts:Million Baht)

Credit Line (Million Baht)	Credit Period	Current Repayment Condition					Balances			
		Principal Repayment			Interest Payment		Consolidated		The Company	
		Installment Amount (Million Baht)	Term	Total Installments	Term	Rate (%)	2002	2001	2002	2001
2) Loan in the amount of Baht 270 million, repayable within 7 years from the first withdrawal.	March 2002 To March 2009	270.00		Minimum Baht 3.75 million per month, Commencing from the last working day of the month 13 and 30% of the repayment amount.	Monthly	MLR -0.5%, only 1 <sup>st</sup> year. MLR	31.75	-	-	-
3) Loan in the amount of Baht 100 million, repayable within 4 years from the first withdrawal.	May 2002 To May 2006	100.00		Minimum 30% of the repayment amount. When no mortgage, not less than Baht 0.60 million per rai by deducting from the amount that already repaid.	Monthly	MLR -0.5%, only 1 <sup>st</sup> year. MLR	59.24	-	-	-
Total		920.00					110.13	160.20	-	-
<u>Eastern Pipeline Services Company Limited</u>										
Loan from a finance company with credit line of Baht 50 million, to be repaid over 72 months from April 30, 1998 to March 31, 2004. The interest rate is MLR+1% per annum, payable monthly. The loan had been put up for sale by FRA. Subsequently, according to the Conditional Debt Release Agreement, which the Company entered into it with a Mutual Fund on July 31, 2000, the original principal is to be repaid totaling Baht 20.57 million, of which Baht 2.90 million was paid at beginning of the agreement. The remaining Baht 17.67 million is to be repaid as described in current repayment condition. The first installment due on July 31, 2000. The remaining had been repaid on April 3, 2002.										
	July 31, 2000 to December 31, 2002	50.00	Minimum 0.68	Monthly	30	Monthly	11.75	-	23.86	-
Total		50.00					-	23.86	-	-
Total Long-Term Liabilities		1,575.37					433.38	1,104.85	239.25	827.79
<u>Less</u> Portions under debt restructuring negotiation plan										
							-	(535.37)	-	(535.37)
<u>Less</u> Current portions of long-term liabilities shown under current liabilities										
							(217.11)	(71.54)	(137.22)	(54.85)
Long-Term Liabilities, net							216.27	497.94	102.03	237.57

Long-term liabilities (continued)

The above liabilities are variously collateralised.

Hemaraj Land and Development Public Company Limited

Portions of long-term loans under the Conditional Debt Release Agreement and related interest payable totaling Baht 162.98 million, which would be forgiven, are to be recognised as revenue in the statement of income upon the completion of debt repayment. In the second quarter, the debt repayment is completed.

Eastern Pipeline Services Company Limited

Portions of long-term loan under the Conditional Debt Release Agreement and related interest payable totaling Baht 32.08 million, which would be forgiven, are to be recognised as revenue in the statement of income upon the completion of debt repayment. In the second quarter, the debt repayment is completed.

18. GUARANTEED BONDS

H-International (BVI) Company Limited

On September 25, 1998, a resolution was passed by the Board of Directors Meeting No. 5/1998 to approve the company to issue, in two tranches, US\$ 19.2 million Guaranteed Bonds to a foreign commercial bank which had acquired part of the convertible bonds issued by Hemaraj Land and Development Public Company Limited. The principal amounts are US\$ 11.5 million for the first tranche and US\$ 7.7 million for the second tranche, to be repaid within 2005 in 8 semi-annual installments, with the first installment due on March 31, 2002. The interest rates (net of withholding tax) are 1% per annum and 5% per annum, respectively, payable quarterly as from December 31, 1998.

Provision for Guaranteed Bond Redemption

Provision for Guaranteed Bond redemption is calculated over the period of the Guaranteed Bonds and included in Guaranteed Bonds.

Collateral

- Hemaraj Land and Development Public Company Limited has co-operated with 2 related companies to guarantee the issue of Guaranteed Bonds. These companies have obligations to comply with terms and conditions of the issue of Guaranteed Bonds.
- Investments in ordinary shares and certain land of a related company have been used as collateral for the issue of Guaranteed Bonds.

Other Conditions of Guaranteed Bonds

- The Guaranteed Bonds are not capable of being quoted, listed or ordinarily dealt in any stock exchange, over-the-counter or other organised securities market and may not be transferred to any person other than to a related company of the registered holder.
- The Guaranteed Bonds may be redeemed early in whole or in part and the company is mandated to redeem part of the bonds when the mortgaged land is sold. The redemption price is being calculated to give a yield of 7% - 9% per annum from the issuing date to redemption date.

On March 29, 2002, a resolution was passed by the Board of Directors' Meeting to authorise the Company to enter into the Supplemental Agreement Relating to Trust Deed to amend and waive certain of the terms and conditions of the Bonds, effective from April 1, 2002, are summarised as follows :

1) Prepayment

The Company will make the principal prepayment of the Tranche B bond for US\$1,526,000 within April 1, 2003.

Guaranteed bonds (continued)

2) Interest

Tranche A : From July 1, 2002 onwards, interest rate of the first tranche will be increased from 1% per annum to 3% per annum, payable quarterly.

Tranche B : No change is made.

At any time the consolidated financial statements of Hemaraj and its subsidiaries show the Net Operating Profit in excess of Baht 80,000,000 for the three consecutive quarters, both tranches' interest rate shall bear 1% increase from the current rate. However, if the interest rate is increased by 1% and, at any time afterwards, the consolidated financial statements of Hemaraj and its subsidiaries show the Net Operating Loss in excess of Baht 80,000,000 for the three consecutive quarters, both tranches' interest rate shall be reduced by 1%.

3) Redemption

Tranche A: The principal is to be redeemed semi-annually from September 30, 2003 to March 31, 2007 in 8 equal installments, US\$ 1,205,000 each.

Tranche B: The principal is to be redeemed semi-annually from September 30, 2003 to March 31, 2007 in the 8 installments, US\$ 952,000 each for the first 5 installments, US\$ 370,000 each for the next 2 installments and US\$ 369,000 for the last installment.

4) Collateral

150,000 ordinary shares of Eastern Pipeline Services Company shall be additionally pledged as collateral.

5) Other Condition

The redemption price will be changed as a result of changing in the Bond's yield from 7% per annum to 4% per annum retroactively from the issuance date to the redemption date for Tranche A and from 9% per annum to 7% per annum effective from January 1, 2002 to the redemption date for Tranche B.

19. PROVISIONS

As at December 31, 2002 and 2001, Loss Provision consisted of:

	<u>THOUSAND BAHT</u>	
	<u>2002</u>	<u>2001</u>
19.1 Maximum loss reserve that may arise from a lawsuit relating to the obligation under guarantee a subsidiary company, being under consideration of the primary court	128.40	128.40
19.2 Reserve for possible loss from pledge of securities on pledged agreements, against loans to a related company	236.69	212.06
19.3 Reserve for possible loss from pledge of securities on pledged agreements, against loans to a related company (withdrawn from the filing)	-	181.84
Total	<u>365.09</u>	<u>522.30</u>

## 20. SHARE CAPITAL

20.1 The Extraordinary General Meeting of Shareholders No. 1/2001 of the Company held on December 28, 2001 approved the Company to proceed its authorized share capital summarised as follows :

- Decrease authorized share capital, from authorized share capital of Baht 3,270,000,000 to authorized share capital of Baht 2,252,967,250, consisting of 225,296,725 ordinary shares of Baht 10 par value, by way of revoking 101,703,275 unissued ordinary shares (including ordinary shares allocated to accommodate the exercise of the right of convertible bonds of 51,234,425 shares, with the remaining 13,000,000 ordinary shares to accommodate the exercise of right of convertible bonds) of Baht 10 par value, amounting to Baht 1,017,032,750. The Company registered the decrease of its authorized share capital with the Ministry of Commerce on January 2, 2002.
- Increase authorized share capital by Baht 7,747,032,750 from authorized share capital of Baht 2,252,967,250 to authorized share capital of Baht 10,000,000,000, divided into 1,000,000,000 ordinary shares of Baht 10 par value, by issuing authorized 774,703,275 ordinary shares of Baht 10 par value. The Company registered the increase of its authorized share capital with the Ministry of Commerce on January 3, 2002.
- Allocation of the increased ordinary shares is as follows :
  - 283,163,108 shares for offering to the existing shareholders at the rate of 1 existing share to 4 new shares of Baht 1 each, which was completed during the period 2002 with cash received of Baht 283.16 million;
  - 159,782,075 shares for offering via private placement in accordance with the Notification of the Securities and Exchange Commission No. Kor Jor. 12/2543 regarding request for permission and permission to offer newly issued shares at the offering price of not lower than Baht 3 per share.
  - 331,758,092 shares to accommodate the exercise of the right of warrant holders to purchase ordinary shares in addition to the existing allocation. The ordinary shares allocated to accommodate the exercise of the right of warrant holders to purchase ordinary shares total 473,264,040 shares.

20.2 The Annual General Meeting of Shareholders of the Company on April 30, 2002 approved the Company to proceed its authorized share capital summarised as follows :

- Decrease authorised share capital, from authorised share capital of Baht 10,000,000,000 to authorised share capital of Baht 8,402,179,250, consisting of 840,217,925 ordinary shares of Baht 10 par value, by way of revoking 159,782,075 unissued ordinary shares of Baht 10 par value, amounting to Baht 1,597,820,750. The Company registered the decrease of its authorized share capital with the Ministry of Commerce on May 8, 2002.
- Increase authorized share capital by Baht 4,597,820,750, from authorized share capital of Baht 8,402,179,250 to authorized share capital of Baht 13,000,000,000, divided into 1,300,000,000 ordinary shares of Baht 10 par value, by issuing authorized 459,782,075 ordinary shares of Baht 10 par value. The Company registered the increase of its authorized share capital with the Ministry of Commerce on May 10, 2002.
- Allocation of the increased ordinary shares is as follows :
  - 402,782,075 shares for offering via private placement in accordance with the Notification of the Securities and Exchange Commission No. Kor Jor. 12/2543 regarding request for permission and permission to offer newly issued shares at the offering price of not lower than Baht 3 per share.
  - 57,000,000 shares to accommodate the exercise of the right of warrant holders to purchase ordinary shares in addition to the existing allocation. The ordinary shares allocated to accommodate the exercise of the right of warrant holders to purchase ordinary shares total 530,264,040 shares.

## 21. WARRANTS

According to the resolutions of the Annual General Meeting of Shareholders dated April 30, 1999, the Company issued 141,531,150 warrants to the existing shareholders and specific investors, at the unit price of Baht 0.1. Total cash received from offer of warrants was in the approximate amount of Baht 14.15 million. The Company registered its warrants with the Stock Exchange of Thailand ("SET") as listed securities and the warrants were approved by the SET to be listed securities from December 15, 1999 onwards.

The Extraordinary General Meeting of Shareholders No. 1/2001 of the Company held on December 28, 2001 approved the extension of exercised period to 10 years from the issuing date, which will end within September 30, 2009 and for the adjustment of exercised price to Baht 3 per share.

Subsequently, the Board of Directors' Meeting No. 1/2002 held on February 20, 2002 approved the adjustment to the numbers of the existing warrants with the additional ratio of 2.33333 units per each 1 existing warrant, in accordance with announcement of the Office of the Securities and Exchange Commission regarding guidelines on the adjustment to the exercise price/exercise ratio of warrants. The warrants after the adjustment are 471,686,471 units with the exercise ratio of 1 ordinary share per each warrant and exercise price of Baht 3 per share.

## 22. DIRECTORS' REMUNERATION AND PERSONNEL EXPENSES

For the years ended December 31, directors' remuneration included in the consolidated and the Company's financial statements consisted of:

	<u>(Amounts:Million Baht)</u>	
	<u>2002</u>	<u>2001</u>
Hemaraj Land and Development Public Company Limited	26.12	31.60
Eastern Seaboard Industrial Estate (Rayong) Company Limited	6.45	4.35
H-International (BVI) Company Limited	<u>17.51</u>	<u>50.41</u>
Total	<u>50.08</u>	<u>86.36</u>

For the years ended December 31, personnel expenses included in selling and administrative expenses and cost of services in the statements of income are as follows:

	<u>(Amounts:Million Baht)</u>	
	<u>2002</u>	<u>2001</u>
Consolidated statements of income	91.88	63.43
The Company's statements of income	53.00	26.27

## 23. LOSS ON EVALUATION

### 23.1 Loss on projects evaluation

The Company has recorded the difference between the book value and the fair value of cost of development as loss on projects evaluation 160.97 million baht.

### 23.2 Loss on impairment of assets evaluation

In the second quarter of 2002, the Company and its subsidiaries had the cost of real estate developments, appraised by an independent appraiser. The Company and its subsidiaries had the policy to adjust only those value are decreased. Loss which are recorded amounting to Baht 58.96 million.

## 24. EXTRAORDINARY ITEM

### 24.1 Gain from debt release agreement

In the second quarter of 2002, the Company and its subsidiaries repaid their entire debts to a mutual fund in accordance with conditions agreed upon the debt settlements agreement. The released amount are summarized as follows :

	THOUSAND BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Debt under debt release agreement	302,555	-	249,902	-
<u>Less Repayment</u>	<u>(107,498)</u>	<u>-</u>	<u>(86,925)</u>	<u>-</u>
Gain from debt release agreement	<u>195,057</u>	<u>-</u>	<u>162,977</u>	<u>-</u>

### 24.2 Gain from compromising debt

In the third quarter of 2002, the Company had settled a debt with Financial Institutions Development Fund with a gain of Baht 151.88 million. The balance under the debt settlement agreement amounting to Baht 130.82 million is to be paid in 18 months installment at Baht 7.27 million each, and a related company shares had been pledged as collateral. The first installment was on September 30, 2002.

### 24.3 Gain from debt settlement by transferring assets

In the fourth quarter of 2002, the Company had entered into the restructuring agreement with an asset management company, which have been transferred debt equity in a loan from a commercial bank. Such loan consists of long-term amounting to Baht 404.55 million, bank overdraft amounting to Baht 29.90 million and interest payable amounting to Baht 71.33 million, which the Company agreed to make loan repayment by transferred right in land and prefabricated factories to the said asset management company. However, the Company can payback all or part of it within 5 years from transferred right of asset date. As a result, the Company has gain from debt settlement by transferring assets in the amount of Baht 51.81 million.

### 24.4 Loss from purchased debt and right

In the fourth quarter of 2002, Eastern Industrial Estate Company Limited, a subsidiary, has entered into the Transferred Debt Agreement with 2 mutual funds to release the Company from the debt obligations and cease the court litigation. The subsidiary paid Baht 132.53 million and obtained the rights claim over the Company and related person including the collateral.

As a result, the mutual funds withdrew the case and released Hemaraj Land and Development Public Company Limited, a guarantor, from the lawsuit. Therefore the Company has reversed the loss provision for the legal disputes for the amount of Baht 181.84 million. The loss provision from such legal dispute was recorded by the subsidiary in full amount and shall be recorded as a gain if the Company receives the payment from the future claims.

## 25. EARNINGS (LOSS) PER SHARE COMPUTATION

Earnings (loss) per share computation in the consolidated and the Company's financial statements for the years ended December 31, 2002 and 2001 consisted of:

	2002			2001		
	Thousand Baht Net profit(loss) for the Year	Number of Share (Share)	Baht Earnings (loss) per share	Thousand Baht Net profit(loss) for the Year	Number of Share (Share)	Baht Earnings (loss) per share
<u>Basic earnings (loss) per share</u>						
Net profit (loss) attributable to ordinary shareholders	638,732	347,986,275	1.84 (B)	(493,229)	232,944,009 (A)	(2.12)
<u>The effect of potential ordinary shares</u>						
1. <u>Convertible bonds</u>						
1.1 Adding back the expenses that will be saved on the conversion of convertible bonds (net of income tax 25%)						
1.2 Deducting the revenues that will not be recognized upon the conversion of convertible bonds (net of income tax 25%)	(10,385)			54,950		
1.3 Increase in ordinary shares under conversion of convertible bonds (C)		3,225,442			3,254,032	
2. <u>Warrants</u>						
Number of shares that would have been issued for no consideration as the average fair value of ordinary shares exceeds the exercise price		175,972,310			-	
<u>Earnings (loss) per share after adjustment by</u>						
<u>The effect of potential ordinary shares</u>						
Net profit (loss) attributable to ordinary shareholders in case of convertible bonds being converted and all warrants being exercised	628,347	527,184,027	1.20	(438,279)	236,198,042	(1.86)

- (A) The weighted average number of ordinary shares outstanding during the period as restated by the adjustment factor from the right issue during the year 2002.
- (B) Including the effects of right issue during the year 2002.
- (C) Such conversion rate may be changed as a result of the issue of warrants and the offering of ordinary shares as disclosed in Note 20 to the financial statements. Currently, the Company is waiting for the confirmation from the trustee for the new conversion rate.

Diluted loss per share are not shown in the statements of income for the year ended December 31, 2001 because the effect of dilutive ordinary shares would be lower than the basic earning loss.

## 26. BUSINESS SEGMENT INFORMATION

As of December 31, 2002 and 2001, business segment information in the consolidated balance sheets classified by domestic and overseas business are as follows:

	MILLION BAHT							
	2002				2001			
	Domestic		Overseas		Domestic		Overseas	
	Industrial Estate	Others	Holding Company	Total	Industrial Estate	Others	Holding Company	Total
Cost of real estate developments, net	2,355.73	-	-	2,355.73	2,401.10	-	-	2,401.10
Leasehold land and land held for Commercial purposes, net	1,085.28	-	-	1,085.28	1,756.63	-	-	1,756.63
Assets for rent, net	320.25	80.35	-	400.60	323.57	88.12	-	411.69
Property, plant and equipment, net	174.57	0.70	-	175.27	186.26	-	-	186.26
Other assets	1,269.88	4.82	450.58	1,725.28	1,048.76	-	-	1,373.48
<b>Total Assets</b>	<b>5,205.71</b>	<b>85.87</b>	<b>450.58</b>	<b>5,742.16</b>	<b>5,716.32</b>	<b>92.49</b>	<b>320.35</b>	<b>6,129.16</b>

The consolidated statements of income, for the years ended December 31, 2002 and 2001, operations in classified by domestic and overseas business are as follows :

	MILLION BAHT							
	2002			2001				
	Domestic		Overseas	Total	Domestic		Overseas	Total
	Industrial Estate	Others	Holding Company		Industrial Estate	Others	Holding Company	
Sales of land	632.59	-	-	632.59	534.37	-	-	534.37
Sales of pre-fabricated factory	35.53	-	-	35.53	35.00	-	-	35.00
Service income	382.44	18.96	-	401.40	350.28	18.16	-	368.44
Total Sales and Services income	<u>1,050.56</u>	<u>18.96</u>	<u>-</u>	<u>1,069.52</u>	<u>919.65</u>	<u>18.16</u>	<u>-</u>	<u>937.81</u>
Profit (loss) from operations	109.26	(12.45)	33.58	130.39	111.82	(3.69)	(0.93)	107.20
Other income	30.00	0.31	0.22	30.53	319.23	0.98	0.34	320.55
Gain on exchange rate	27.12	-	32.61	59.72	(22.94)	-	(24.04)	(46.98)
Gain on sale of investment	160.06	-	-	160.06	-	-	-	-
Gain from repurchase bonds	22.64	-	-	22.64	-	-	-	-
Gain from the yield rate of Guaranteed bonds	-	-	37.22	37.22	-	-	-	-
Share of profits from investments for using the equity method - associated companies	273.69	-	-	273.69	-	-	-	-
Other expenses - directors' remuneration	(32.57)	-	(17.51)	(50.08)	(35.95)	-	(50.41)	(86.36)
- loss on evaluation	(219.65)	-	-	(219.65)	(10.17)	-	-	(10.17)
Share of losses from investments for using the equity method - associated companies	-	-	-	-	(303.87)	-	-	(303.87)
Reserve for other possible loss	157.21	-	-	157.21	(183.58)	-	-	(183.58)
Interest expenses	(118.34)	(0.51)	(34.74)	(153.58)	(161.31)	(1.35)	(58.24)	(220.90)
Income tax expenses	-	(1.11)	-	(1.11)	(8.23)	-	-	(8.23)
Profit (loss) after tax	<u>409.42</u>	<u>(13.76)</u>	<u>51.38</u>	<u>447.04</u>	<u>(295.00)</u>	<u>(4.06)</u>	<u>(133.28)</u>	<u>(432.34)</u>
Profit (loss) of minority interest				(74.91)				(60.89)
Profit (loss) from ordinary activities				<u>372.13</u>				<u>(493.23)</u>
Extraordinary item				266.60				-
Net profit (loss)				<u>638.73</u>				<u>(493.23)</u>

## 27. PLEGGED ASSETS

As of December 31, 2002, pledged assets are as follows :

### Hemaraj Land and Development Public Company Limited

- 1) Time deposits of approximately Baht 0.52 million have been pledged to local banks against letters of guarantee issued to the Communication Authority of Thailand, the Provincial Electricity Authority, the Industrial Estate Authority of Thailand and other companies.
- 2) Investments in 10 million ordinary shares of Nakornthai Strip Mill Public Company Limited, a related company, have been used as collateral for loans from a financial institution.
- 3) Investments in 9,999,994 ordinary shares of Eastern Industrial Estate Company Limited, a subsidiary company, have been used as collateral for the issue of Guaranteed Bonds of an overseas subsidiary company.
- 4) Investments in 8 million ordinary shares of Sriracha Harbor Public Company Limited, which is a related company, have been used as collateral for loans obtained by a related company from financial institutions.
- 5) The majority of land and attachments have been mortgaged as collateral for loans from local financial institutions.
- 6) Investments in 112,493 ordinary shares of Eastern Pipeline Services Company Limited, which is a subsidiary company, have been used as collateral for the issue of Guaranteed Bonds of an overseas related company.

### Eastern Industrial Estate Company Limited

- 1) Time deposit of approximately Baht 14.36 million has been pledged to local banks against security given for performance under sale contracts and utility construction.
- 2) All of the company's land for development and the majority of its land held for commercial purposes have been mortgaged as collateral for long-term loans from a local commercial bank and the issue of Guaranteed Bonds of an overseas related company.
- 3) Investments in 37,500 ordinary shares of Eastern Pipeline Services Company Limited, which a subsidiary company, have been used as collateral for the issue of Guaranteed Bonds of an overseas related company.

### Eastern Seaboard Industrial Estate (Rayong) Company Limited

- 1) Time deposit of approximately Baht 13.23 million has been pledged to local banks against security given for performance under sale contracts and utility services.
- 2) The majority of the company's land has been mortgaged as collateral for overdrafts and loans from 2 commercial banks.
- 3) Land, mini and micro pre-fabricated factories of the company have been mortgaged as collateral for loans from related persons.

## 28. COMMITMENTS UNDER AGREEMENTS

As of December 31, 2002, commitments under agreements are as follows:

### Hemaraj Land and Development Public Company Limited

The Company has participated in the establishment project of Chonburi Industrial Estate (Bor Win) in Phase 1 and Phase 2 with the Industrial Estate Authority of Thailand ("IEAT") according to the joint operation agreements dated July 5 and December 29, 1989, respectively. Later on October 31, 2001, the Company entered into the amendment to such joint operation agreements with IEAT. The major conditions are summarised as follows:

- 1) The Company shall provide utilities systems and facilities to the entrepreneurs in the industrial estate with payment of expenses on its participation in the procedures to the IEAT.
- 2) The Company shall not transfer assets, component part and equipment as well as utilities systems and facilities to the IEAT.
- 3) The Company shall provide a fund for the maintenance and construction of utilities systems and facilities in the industrial estate ("Sinking Fund").

### Eastern Industrial Estate Company Limited

- 1) The Company shall provide utilities systems and facilities to the entrepreneurs in the industrial estates with payment of expenses on its participation in the procedures to the IEAT.
- 2) The Company shall not transfer assets, component part and equipment as well as utilities systems and facilities to the IEAT.
- 3) The Company shall provide a fund for the maintenance and construction of utilities systems and facilities in the industrial estate ("Sinking Fund").

### Eastern Seaboard Industrial Estate (Rayong) Company Limited

- 1) The company has obligations, under a joint-investment agreement with Hemaraj Land and Development Public Company Limited and another company as of follows:
  - The Company has to pay commission on sale of land and management fee to Hemaraj Land and Development Public Company Limited based on revenues from sales of land, public utility service providing and lease of factory.
  - The Company has commitment to purchase land from a company with the first installment 50% of land prices, with no interest for balance due in 4 - 6 months. All land prices between 2002 - 2005 are at Baht 296.75 million.
- 2) The company has commitment under construction contracts with 2 contractors to construct micro and mini pre-fabricated factory, amounting to Baht 24 million.
- 3) The company has commitment under construction contracts with 2 contractors to construct a utilities system, amounting to Baht 33.20 million.
- 4) The company has commitment under service agreement with a related company in obtaining the maintenance of utility system service from such company, amounting to Baht 2.97 million.

## 29. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2002, commitments and contingent liabilities consisted of :

### Hemaraj Land and Development Public Company Limited

- 1) The Company has co-operated with 2 subsidiaries to guarantee the issue of the US\$ 19.20 million Guaranteed Bonds of an overseas subsidiary company.
- 2) The Company has obligations, under condition of the letters of guarantee issued by the banks for its performance under the joint operation agreements with the Industrial Estate Authority of Thailand, the construction of utilities under land sale contract, and its performance under the raw water purchase agreement and others, as well as the letters of guarantee issued by the banks for the performance of its associated company under the power plant construction agreement with the Electricity Generating Authority of Thailand, in the total amount of Baht 71.20 million.

### Eastern Industrial Estate Company Limited

- 1) The company has entered into land sale and purchase contracts. Under the terms of the contracts, the company is contingently liable to repay deposits and installments in the event that buyers are unable to obtain satisfactory approval from the Board of Investment and/or the IEAT to set up operations and, consequently, obliged to cancel contracts.
- 2) The company has co-operated with 2 related companies to guarantee the issue of the US\$ 19.20 million Guaranteed Bonds of an overseas related company.
- 3) The company has obligations regarding guarantee of the hire purchase agreements of its 2 related companies in the total credit line of Baht 18.39 million.
- 4) The company has obligations, under condition of the letters of guarantee issued by the banks for its performance under the joint operation agreement with the IEAT, the construction of utility and power substation in its industrial estate, and others in the total amount of Baht 70.25 million.

### Eastern Seaboard Industrial Estate (Rayong) Company Limited

- 1) The company has entered into land sale and purchase contracts. Under the terms of the contracts, the company is contingently liable to repay deposits and installments in the event that buyers are unable to obtain satisfactory approval from the Board of Investment and/or the IEAT to set up operations and, consequently, obliged to cancel contracts.
- 2) The company has obligation, under condition of the letters of guarantee issued by banks to guarantee its performance under the joint operation agreement with the IEAT, the construction of utility, transmission lines, power station and sale of land in its industrial estate, and others in the total amount of Baht 257.48 million.

### Eastern Pipeline Services Company Limited

The company has co-operated with 2 related companies to guarantee the issue of the US\$ 19.20 million Guaranteed Bonds of an overseas related company.

### 30. SUBSEQUENT EVENTS

On January 8, 2003, Glow Company Limited, related company, in which the Company holds 16.99% intends to increase its registered capital to all existing shareholders in proportion to the shares held by them. In this regard, the Board of Directors' Meeting had approved the waiver of the rights entitlement to subscribe for right shares in the said company. The Company's shareholding proportion in Glow will be diluted from 16.99% to 4.51% of the registered capital after such capital increase.

### 31. PROMOTIONAL PRIVILEGES

The Company and its 2 subsidiary companies have been granted promotional certificates under the Investment Promotion Act, B.E. 2520 as follows:

#### Hemaraj Land and Development Public Company Limited

##### A. Industrial Estate Business

A.1 On December 29, 1988, obtaining the first promotional certificate for the development area of 1,500 Rais.

A.2 On February 15, 1990, obtaining the second promotional certificate for the development area of 2,000 Rais.

##### B. Industrial Factory Development Business

B.1 On June 21, 2000, obtaining the third promotional certificate for the development of industrial factories for sale and rent, 11 units for micro factory.

#### Major Privileges

A.1 Exemption from corporate income tax on net income derived from the promoted business for a period of 7 years as from the date when revenues are first earned.

A.2 Reduction of 50% of the normal rate of corporate income tax on net income derived from the promoted business for 5 years from the expiry date under condition A.

B.1 Exemption from corporate income tax on net income derived from the promoted business for a period of 7 years as from the date when revenues are first earned.

The promotion period under condition A.1 and A.2 expired and the Company is currently in the promotion period under condition B.1 .

#### Eastern Industrial Estate Company Limited

##### A. Industrial Estate Business

1. On May 8, 1989, obtaining the first promotional certificate for the development area of 626 Rais;

2. On September 23, 1992, obtaining the second promotional certificate for the development area of 1,850 Rais;  
and

3. On May 25, 2000, obtaining the third promotional certificate for the development area of 565 Rais.

#### Major Privileges

1. Exemption from corporate income tax on net income derived from the promoted business from the date when revenues are first earned 5 years for the first promotional certificate, currently expired.

2. Exemption from corporate income tax on net income derived from the promoted business from the date when revenues are first earned for 8 years was expired. The company is currently in the promotion period under the 50% reduction of the corporate income tax rate on net income derived from the promoted business for 5 years from the expiry date of the exemption.

3. Exemption from corporate income tax on net income derived from the promoted business from the date when revenues are first earned 8 years for the first promotional certificate.

Promotional privileges (continued)

Eastern Seaboard Industrial Estate (Rayong) Company Limited

A. Industrial Estate Business

- On June 21, 1995, obtaining the promotional certificate for the development area of 2,063 Rais, which subsequently, extended to be 3,595 Rais on August 9, 1995.
- On October 27, 1997, obtaining the promotional certificate for the development area of 2,466 Rais, which subsequently, extended to be 2,791 Rais on August 26, 2002.

B. Industrial Factory Development Business

- On January 19, 2000, obtaining the promotional certificate for the development of industrial factories for sale and rent, 17 units for micro factory and 5 units for mini factory.
- On June 21, 2000, obtaining the promotional certificate for the development of industrial factories for sale and rent, 6 units for micro factory and 7 units for mini factory.
- On November 29, 2000, obtaining the promotional certificate for the development of industrial factories for sale and rent, 1 unit for micro factory and 11 units for mini factory.
- On January 16, 2002, obtaining the promotional certificate for the development of industrial factories for sale and rent, 50 units for micro factory and 1 unit for mini factory.
- On March 27, 2002, obtaining the promotional certificate for the development of industrial factories for sale and rent, 22 units for mini factory.

Major Privileges

- A. Exemption from corporate income tax on net income derived from the promoted business for a period of 8 years as from the date when revenues are first earned.
- B. Reduction of 50% of the normal rate of corporate income tax on net income derived from the promoted business for 5 years from the expiry date of 8 years after the date when revenues of each business are first earned.
- C. Double deduction of transportation expenses, electricity expenses and water supply expenses is allowed for 10 years from the date when the revenues are first earned.

For the years ended December 31, domestic revenues are classified into the promoted and the non-promoted businesses as follows:

	(Amounts: Million Baht)					
	The promoted		The non-promoted		Total	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
<u>Consolidated</u>						
Revenue from sales of land	595.15	534.17	-	0.20	595.15	534.37
Revenue from sales of pre-fabricated factory	35.53	35.00	-	-	35.53	35.00
Service income	<u>278.14</u>	<u>234.59</u>	<u>123.26</u>	<u>133.85</u>	<u>401.40</u>	<u>368.44</u>
Total	<u>908.82</u>	<u>803.76</u>	<u>123.26</u>	<u>134.05</u>	<u>1,032.08</u>	<u>937.81</u>
<u>The Company</u>						
Revenue from sales of land	-	-	-	0.20	-	0.20
Service income	<u>1.84</u>	<u>13.24</u>	<u>64.87</u>	<u>36.82</u>	<u>66.71</u>	<u>50.06</u>
Total	<u>1.84</u>	<u>13.24</u>	<u>64.87</u>	<u>37.02</u>	<u>66.71</u>	<u>50.26</u>

## 32. FINANCIAL INSTRUMENTS

### Risk Management Policy

Exposure to interest rate and currency risk arises in the normal course of the Hemaraj Group's business. These are subject to the risk of market rates changing subsequent to transaction date.

The Hemaraj Group's policy on interest rate risk and currency risk hedging is as follows:

- Maintaining proportions of domestic and foreign borrowings denominated in USD currency;
- Borrowing loans at fixed and floating interest rates;
- Mobilizing fund from directors and shareholders; and
- Pledging assets as collateral against loans.

The Hemaraj Group has no policy to speculate on or engage in the trading of any off-balance-sheet derivative financial statements.

### Fair Value of Financial Instruments

Except as disclosed in Note 3 to the financial statements, fair value of significant financial instruments consists of:

- Fair value of cash and cash equivalents, deposits for investment, accounts receivable, bank overdrafts and loans from financial institutions, accounts payable and accrued expenses approximates the carrying amount because of short maturity of these instruments.
- Fair value of short-term investments in available-for-sale securities is equal to the carrying amount.
- Fair value of short-term loans and advances to related parties, loans to related parties, short-term loans and advances from related parties, due to and loans from related parties could not be determined since the repayment period is not determined.
- Fair value of convertible bonds, loans under debt restructuring negotiation plan and related interest payable could not be determined since the conditions of payments have not yet been determined.
- Fair value of the restructured domestic loans could not be determined due to uncertainty of payment under the conditions of debt restructuring agreements.
- Fair value of Guaranteed Bonds, which is computed by giving the discount rates to each installment, is equal to the carrying amount.

## 33. PROVIDENT FUND

Hemaraj Land and Development Public Company Limited

Eastern Industrial Estate Company Limited

Eastern Seaboard Industrial Estate (Rayong) Company Limited

Eastern Pipeline Services Company Limited

H - Construction Management and Engineering Company Limited

The Company and the 4 subsidiaries jointly established the provident fund under the Provident Fund Act B.E. 2530, named "Hemaraj Provident Fund", to provide membership for their employees. According to regulations of the fund, members are required to make contributions at the rate of 4% of their monthly salaries while the Company and the subsidiaries will also make contributions at the rate of 4% - 8% of such salaries, depending on the length of work. Members are entitled to the companies' contributions plus net benefit thereon, depending on their working period.

The provident fund is managed by a commercial bank as the fund manager, and therefore does not appear in the balance sheet.

## 34. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the financial statements for the year ended December 31, 2001 have been reclassified to conform with the presentation in the financial statements for the year ended December 31, 2002.