

ANNUAL REPORT
2006



บริษัท ยานภัณฑ์ จำกัด (มหาชน)
Yarnapund Public Company Limited



CONTENT

Financial Highlights	1
Message from the Chairman	2
Report from the Audit Committee	3
General Information	4
Shareholders Structure	5
Subsidiary and Affiliates	6
References	7
Board of Director	8
Organization Chart	12
Shareholder Structure	13
Management Structure	15
Management Remuneration	26
Corporate Governance	27
Policy and Method for the Usage of Internal Data	31
Nature of Operation	32
Industry Condition Competition	34
Marketing Strategies	41
Risk Factors	43
Legal Dispute	47
Connected Transactions	49
Future Project	53
Social Activity and Awards	54
Financial Status and Operating Results	55
Financial Statement Contents	64

Financial Highlights

	2004 Reconstructed Consolidated	2005 Reconstructed Consolidated (Adjust)	2006 Reconstructed Consolidated
Financial Statement Unit : Million Baht			
Total Assets	7,709.68	9,611.87	10,715.32
Total Liabilities	5,470.70	6,372.67	7,376.83
Total Shareholders' Equity	2,238.99	3,239.20	3,338.49
Revenues from Sales and Services	3,525.73	4,704.00	4,936.23
Gross Profit	293.94	565.53	594.47
Profit from Operation	73.30	174.80	367.46
Net Profit	41.19	62.00	147.29
Financial Ratio			
Net Profit Margin (%)	1.17%	1.32%	2.98%
ROE (%)	1.84%	1.91%	4.41%
EPS (Baht)	0.16	0.22	0.46
Dividend per Share (Baht)	0.11	0.15	0.05
Book Value per Share (Baht)	8.88	10.12	10.43

Message from the Chairman

Yamapund Public Company Limited is one of the largest auto part manufacturers in Thailand that have been in operation for over 5 decades, under the management of a team of Thai professionals. On behalf of the Board of Directors, I would like to say that I am truly honored that our Company and subsidiaries have had an opportunity to play an integral part and advance along side the automotive industry of Thailand.

We intend to manage and operate our business in the most professional manner. The Company's key objective is to maintain its position as the leading manufacturer of exhaust parts, and to become the leader in the manufacturing of other auto parts namely accelerators, brakes, clutches and other press parts. Today, the management team and staff continue to expand the customer base, in order to cover as many carmakers with a production base in the country as possible. In addition, the Company continues to maintain its production standard as well as improve and develop product quality, the cost of production and delivery process, in order to build confidence and trust among the customers. As a result, Yamapund has been well-regarded for its reliability and trustworthiness, and is widely accepted among domestic and international customers for the past 50 years.

In 2006, the Company commenced its construction of the third plant on an approximately 227-rai plot of land in A. Ban-Phoe (Bangpakong), Chachoengsao province, which has marked another new beginning for the Company. Upon its completion and opening for commercial operation, the Company will have succeeded in expanding total production capacity to sufficiently accommodate the continuous growth of its core customers, as well as the overall expansion of the auto industry. Not only capacity expansion, but year 2006 also marked the year of success for the Company as well. In determining to deliver products of no less than acceptable standard to its customers, the Company was granted an ISO/TS 16949 certification at the beginning of 2006, which is another globally accepted production standard. This has marked another accomplishment for the Company, as a result of heartfelt cooperation and support from all staff, in maintaining such high standard for each and every product manufactured by the Company.

On behalf of the Board of Directors, I would like to thank all of our shareholders, customers, as well as the public and private sectors and financial institutions, for your constant support. We would like to thank our management and staff who have been working their hearts and souls for the Company, in order to develop and increase the Company's potential. The Board firmly believes that the Company will continue to operate with stability, and will maintain its position as the leading auto part manufacturer in Thailand, and ultimately, the Asia-Pacific region.



Report from the Audit Committee

The current Audit Committee was appointed at the Ordinary Shareholders' Meeting No. 1/2006 as at 20 April 2006, to compose of 4 Independent Directors and Non-Executive Directors as follows:

1.Lt. Gen Trairat Pinmanee	Chairman
2.Miss Kanya Busayarasami	Director
3.Mr. Piyaporn Limcharoen	Director
4.Pol. Maj. Gen. Wanchai Visuthinunt	Director

Internal Audit Department acts as the Secretary to the Audit Committee

The Audit Committee has used the meetings as a tool to perform their duties. For the past year (2006-2007), the Audit Committee held altogether 7 meetings, and participated in all of the Board of Directors' Meetings, in performing their corporate governance duty, as assigned by the Board of Directors, which can be summarized as follows:

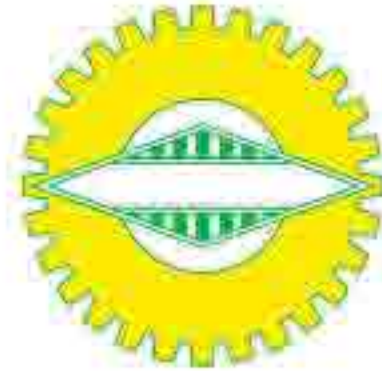
1. To review the quarterly financial statements and the annual 2006 financial statement in conjunction with the Executives, to ensure conformity with general certified accounting standards and sufficient disclosure of important information, before proposing to the Board of Directors for consideration and approval.
2. To review connected transactions and any transactions that may lead to potential conflicts of interest, and ensure compliance with the laws and relevant rules and regulations.
3. To consider and review the audit result of Internal Audit Department as well as the annual audit plan, in order to make recommendations and monitor internal audit performance, to achieve higher efficiency, consistency with international standards, and also to consider and support an increase in manpower and further personnel development.
4. To consider and review the procedure, and recommend progress supervision method for the construction of plant number 3 to the Risk Management Committee as well as the Company's Executives.
5. To enforce and appoint a Nomination Committee and Remuneration Committee as sub-committees to provide support to the Board of Directors, for the purpose of transparency in the management conduct.
6. To enforce and review in conjunction with the Board of Directors, the development and improvement of Corporate Governance policy, to ensure conformity with the 2006 good Corporate Governance principles.
7. To enforce performance evaluation of the Board of Directors, in order to comply by the Company's Corporate Governance policy

From the above-mentioned performance results, the Audit Committee believes that the Company has in its possession a decent preparation process for and adequate and reliable disclosure of its financial information; its operation and performance concerning connected transactions are in compliance with the laws and relevant rules and regulations; and has in possession good and effective internal control system.

General Information

Company name	:	Yarnapund Public Company Limited
Authorized share capital	:	Total value 1,600 million Bath, No. of common shares 320 million shares, Par value per share 5 Baht.
Paid - up capital	:	Total value 1,600 million Baht, No. of common shares 320 millio shares, Par value per share 5 Baht.
Type of business	:	<p>Manufacture auto parts (Press Parts) for OEM (Original Equipment Manufacturing) and REM (Replacement Equipment Manufacturing), with the core product being :</p> <ol style="list-style-type: none"> 1. Exhaust System 2. Accelerator, Brake, Clutch Pedal of ABC-SET 3. Press parts for cars and others <p>The Company's subsidiaries are responsible for design and production of Tooling which is used for manufacturing process such as Die, Jig, Checking Fixture(C/F), and Equipments.</p>
Head office	:	42 Sukhumvit 81 Bangjak, Prakanong, Bangkok, 10260
YNP 1 factory location	:	70 Bangna-Trad Rd., Km. 12, (Kingkaew-Ladkrabang Rd.) T.Rachathawa, A.Bangplee, Samutprakarn 10540
YNP 2 factory location	:	3 Moo 7 Bangna-Trad Rd. Km.12, (Kingkaew-Ladkrabang Rd.) T.Rachathawan, A.Bangplee, Samutprakarn 10540
YNP 3 factory location	:	55 Moo 3, T.Nongjok, A.Bangpakong, Chachoengsao 24130
YNPE factory location	:	64 Bangna-Trad Km.12, (Kingkaew-Ladkrabang Rd.) T. Rachathawa, A.Bangplee, Samutprakarn 10540
YNPI factory location	:	42 Sukhumvit 81 Bangjak, Prakanong, Bangkok, 10260
Register Number	:	0107574700165
Website	:	www.yarnapund.com
Tel	:	(662) 331-8000, (662) 311-1000
Fax	:	(662) 331-7398

Shareholders Structure



100% Yamapund Public Company Limited



100% YNP Engineering Company Limited



100% Yamapund International Company Limited



20.24% YS Pund Company Limited



25% Walker Exhaust (Thailand) Company Limited



30% Yanapund Daiso (Thailand) Company Limited

Subsidiary and Affiliates

Name	Type of Business	Paid-up Capital (Million Baht)	% Holding
Subsidiary			
YNP Engineering Co.,Ltd. (YNPE) Address : 64 Bangna-Trad Rd., Km. 12, Kingkaew , T.Rachathawa A. Bangplee, Samutprakarn 10540 Tel : (66) (2) 750-2299 Fax : (66) (2) 750-3808	Design and Manufacture Tooling	300	100
Yarnapund International Co.,Ltd. (YNPI) Address: 42 Soi Sukhumvit 81, Bangjak, Prakanong, Bangkok 10260 Tel : (66) (2) 331-8000, 311-1000 Fax : (66) (2) 331-7398	Manufacture Exhaust Systems and Press Parts	240	100
Affiliates			
YS Pund Co.,Ltd. (YSP) Address : 90/3 Moo 9, Wellgrow Industrial Estate, Bangna-Trad Rd. (KM. 36), T. Bangwua, A. Bangpakong, Chachoengsao 24180 Tel : (66) (38) 570-875 to 9, 522-330 Fax : (66) (38) 522-373	Assembly of Exhaust Systems Pipe for Automotive Manufacturer	1,414	20.24
Walker Exhaust (Thailand) Co.,Ltd.(WETCO) Address: 70 Bangna-Trad Rd., Km. 12, Kingkaew, T.Rachathawa A. Bangplee, Samutprakarn 10540 Tel : (66) (2) 750-1620, 316-8010 Fax : (66) (2) 316-9146	Assembly of Exhaust Systems	80	25
Yarnapund Daiso (Thailand) Co.,Ltd.(YDT) Address: 700/507 Moo.2 T.Bankao, A. Phantong, Chonburi 20160 Tel : (66) (38) 454-717-9 Fax : (66) (38) 454-721	Electronic Deposit Painting (EDP)	20	30

References

- Register** : Thailand Securities Depository Company Limited
62 The Stock Exchange of Thailand Building 4,th
6th- 7th Floor
Ratchadapisek Road, Klongtoey, Bangkok 10110
- Tel :** (662) 229-2800, 654-5599
Fax : (662) 359-1259
- Auditor** : Miss.Susan Eiamvanich
Certified Public Accountant Registration No.4306
SP AUDIT COMPANY LIMITED
444 Olympia Thai Tower, 14th Floor,
Ratchadapisek Road, Samsennok, Huay Kwang,
Bangkok 10310
- Tel:** (662) 2938 - 1773 - 5
Fax: (662) 2512 - 1563
- Legal Advisor** : Siam Premier International Law Office Limited
25th Floor Thai Wah TowerII, 21/147-150
South Sathorn Road, Bangkok 10120
- Tel :** (662) 679-1333
Fax : (662) 679-1314

Board of Directors



Mrs. Chamlong Phanpanit

- 2003 - Present : President Yamapund International Company Limited
- 2002 - 2003 : President and President of The Board Director Yamapund International Company Limited
- 2006 - Present : Chairman Y N P Engineering Company Limited
- 2001 - 2006 : President and President of The Board Director YNP Engineering Company Limited
- 2006 - Present : Chairman Yamapund Public Company Limited
- 1988 - 2006 : President and President of The Board Director Yamapund Public Company Limited



Mr. Samphan Phanpanit

- 2006 - Present : President of The Board Director Yamapund Public Company Limited
- 2003 - Present : President of The Board Director Yamapund International Company Limited
- 2002 - 2003 : Managing Director Yamapund International Company Limited
- 2006 - Present : President of The Board Director Y N P Engineering Company Limited
- 2001 - 2006 : Managing Director Y N P Engineering Company Limited
- 1980 - 2006 : Managing Director Yamapund Public Company Limited

Board of Directors



Mr. Palits Phanpanit

- 2008 - Present : Managing Director Yamapund Public Company Limited
- 2005 - Present : Risk Management Committee Yamapund Public Company Limited
- 2003 - Present : Managing Director Yamapund International Company Limited
- 2002 - 2003 : Deputy Managing Director Yamapund International Company Limited
- 2000 - Present : Managing Director Y N P Engineering Company Limited
- 1979 - 2008 : Deputy Managing Director Yamapund Public Company Limited



Mrs. Ornzalochaya Bunnag

- 2002 - Present : Director Yamapund International Company Limited
- 2001 - Present : Director Y N P Engineering Company Limited
- 2004 - Present : Senior Administration Committee Yamapund Public Company Limited



Mrs. Amornrat Angkhasekvitai

- 2006 - Present : Nomination Committee Yamapund Public Company Limited
- 2004 - Present : Director Yamapund Public Company Limited
- 2003 - Present : Deputy Managing Director G.C. Distribution Company Limited
- 1998 - Present : Deputy Managing Director General Care Product Company Limited
- 1983 - Present : Deputy Managing Director General Candy Company Limited



Mrs. Amporn Nilpilom

- 2006 - Present : Compensation Committee Yamapund Public Company Limited
- 2001 - Present : Assistant Managing Director YNP Engineering Company Limited
- 1991 - Present : Assistant Managing Director Yamapund Public Company Limited
- 1990 - 2003 : Purchasing Manager Yamapund Company Limited

Board of Directors



Mrs. Pornchil Phanpanit

- 2004 - Present : Director Yamapund Public Company Limited
- 2003 - Present : Deputy Managing Director, Sale Manager Yamapund International Company Limited
- 2002 - 2003 : Assistant Managing Director, Sale Manager Yamapund International Company Limited
- 1999 - 2002 : Assistant Managing Director, Sale Manager Yamapund Company Limited



Ms. Pilaiphan Lattanan

- 2005 - Present : President of Risk Management Committee Yamapund Public Company Limited
- 2004 - Present : Director Yamapund Public Company Limited
- 2002 - Present : Assistant Deputy Managing Director Y.N.P. Engineering Company Limited
- 2000 - 2002 : Project Controller (URS Corporation, Washington, DC, U.S.A.)



Lt. Gen. Trirat Pinmanee

- 2006 - Present : President of Compensation Committee Yamapund Public Company Limited
- 2004 - Present : Director and President of Audit Committee Yamapund Public Company Limited
- 2001 - Present : Supreme Command Advisor



Ms. Kanya Bussayaratsamee

- 2006 - Present : Deputy of President Compensation Committee Yamapund Public Company Limited
- 2004 - Present : Director and Audit Committee Yamapund Public Company Limited
- 2004 - Present : Special case officer
- 2003 - Present : Legal Division Area Revenue Branch Office
- 1999 - 2002 : Area Revenue Branch Office

Board of Directors



Mr. Piyaporn Limcharoen

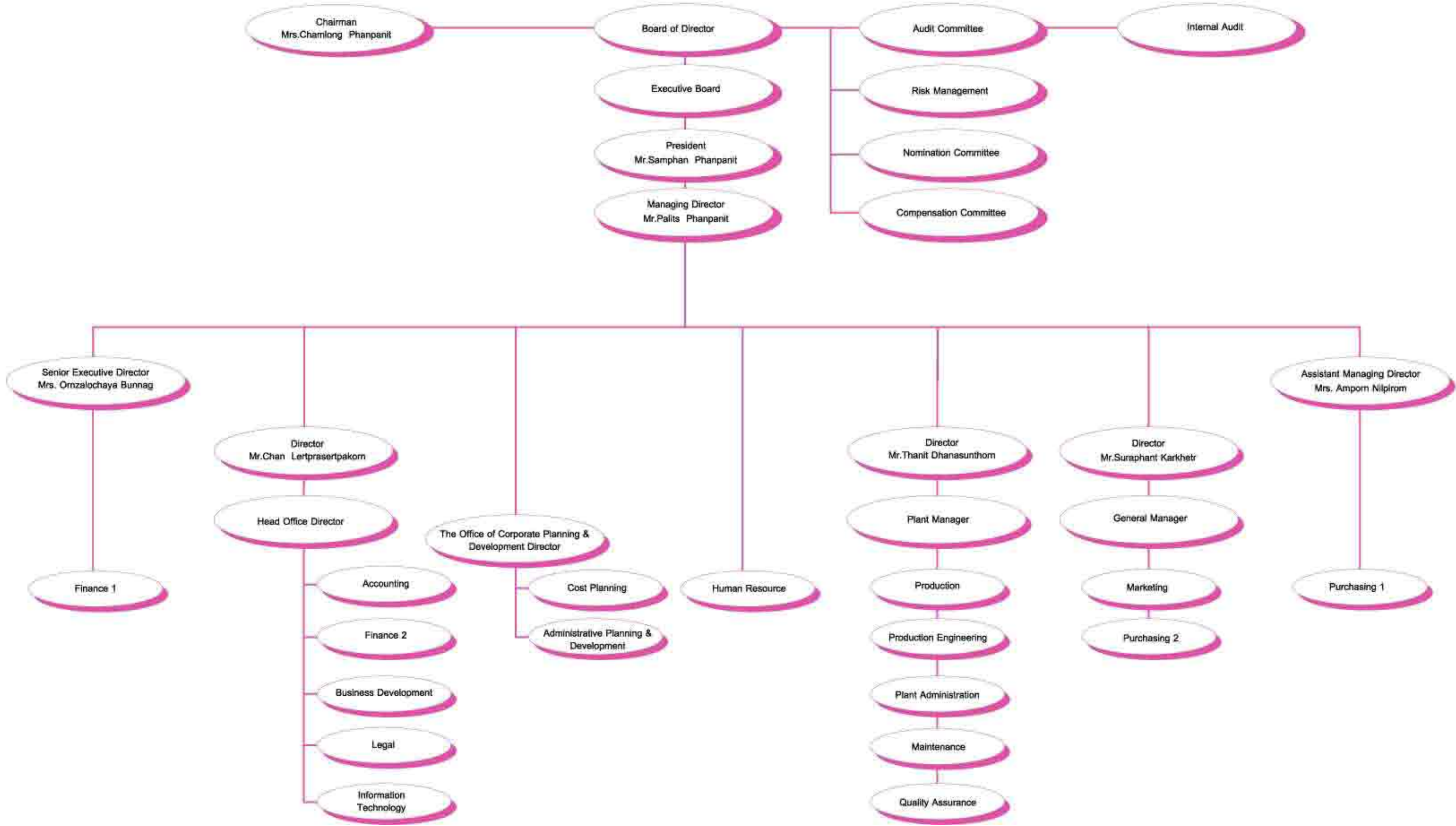
- 2006 - Present : Nomination Committee and Compensation Committee Yamapund Public Company Limited
- 2005 - Present : Deputy President of Risk Management Committee Yamapund Public Company Limited
- 2004 - Present : Director and Audit Committee Yamapund Public Company Limited
- 1998 - Present : Advisor Rayon (S&P) Company Limited



Pol. Maj. Gen. Wanchai Wisuttinan

- 2006 - Present : President of Nomination Committee Yamapund Public Company Limited
- 2005 - Present : Director and Audit Committee Yamapund Public Company Limited
- 2005 - Present : Advisor to the Committee on Police
- 2004 - Present : Advisor to the Committee on Independent Organ under Constitution, House of Senator
- 2003 - Present : Advisor to Committee on Military Affairs House of Representatives

Organization Chart



Shareholder Structure

Major Shareholders as on 31 December 2006

Name	No. Of Shares	% of Paid-up Capital
1. Phanpanit family *	100,599,824	43.30
2. Government Pension Fund	21,891,802	6.84
3. GOLDMAN SACHS INTERNATIONAL	18,745,400	5.86
4. HSBC (SINGAPORE) NOMINEES PTE LTD	18,398,800	5.75
5. Mr. Taweechat Jurangkul	14,000,000	4.38
6. Thailand prosperity Fund **	11,800,000	3.69
7. Mr. Nuttaphol Jurangkul	10,000,000	3.12
8. Mr. Chan Lertprasertpakorn	3,700,000	1.16
9. Thai Military Bank Public Company Limited	3,000,002	0.94
10. Thai Automotive VCF Company Limited	2,400,002	0.75

Note:

* Phanpanit Family consists of a total 13 Shareholders of the same surname as well as related persons namely Mrs. Chamlong Phanpanit, Mr. Samphan Phanpanit, Mr. Palits Phanpanit, Mrs. Ornzalochaya Bunnag, Mrs. Amornrat Angkhasekvilai, Mrs. Amporn Nilpirom, Mrs. Pornchit Phanpanit, Miss Pilaiphan Lattanan, Mr. Thanapatr Tantakom, Mrs. Wantana Phanpanit, Mr. Kittipatr Phanpanit, Ms. Kawekarn Phanpanit and Ms. Chavaphan Nilpirom

** A mutual fund managed by ING Funds (Thailand) Co. Ltd.

Dividend Policy

Dividend payout policy is at a minimum of 30% of net profit after tax and legal reserve. Disbursement of the dividend shall take into account the operating result, financial status, liquidity, business expansion and other factors related to the operation of the company and under the conditions that maximize the benefit to the share holders

Dividend Policy for the subsidiaries

For dividend payout of the subsidiaries, the Board of Directors shall take into consideration, Net Cash Flow in comparison with capital Expenditure of the subsidiaries, and shall pay out dividend on a regular basis. The subsidiaries namely YNPE and YNPI shall allocate an amount for legal reserves at least one-twentieth of Net profits derived from business operation, until the legal reserve amount reaches one-tenth of the company's equity more.

Management Structure

The Management Structure comprises of the Board of Director, Executive Committee Director and Sub Committee comprises of 4 sets as Audit Committee, Risk Management Committee Nomination Committee and Compensation Committee with the list of names and duties and responsibilities as follows:

1. Board of Directors

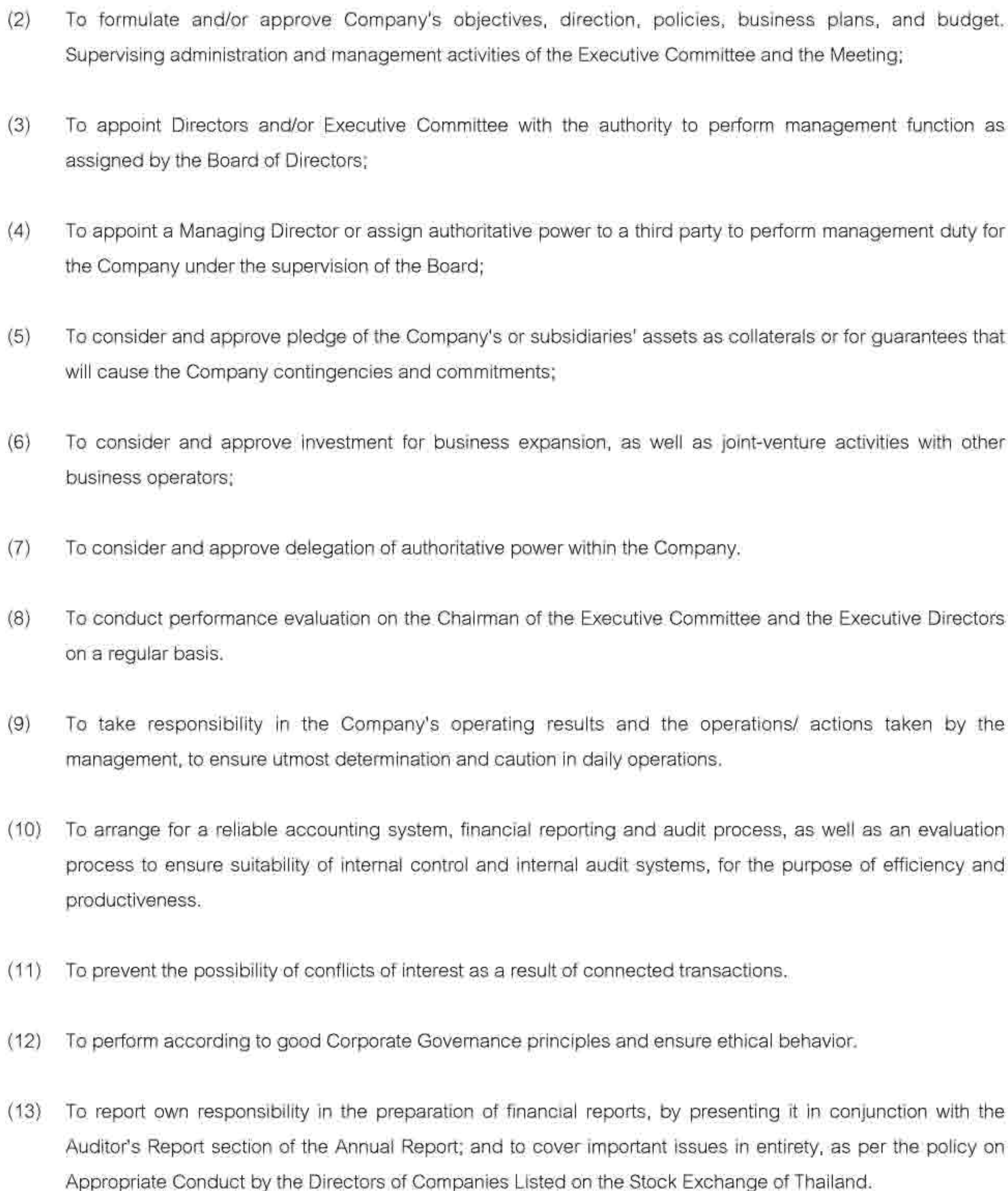
The Board of Directors, as at 31 December 2006 comprised of the following 12 members:

	Name		Position
1	Mrs. Chamlong	Phanpanit	Chairman
2	Mr. Samphan	Phanpanit	Director
3	Mr. Palits	Phanpanit	Director
4	Mrs. Ornzalochaya	Bunnag	Director
5	Mrs. Amornrat	Angkhasekvilai	Director
6	Mrs. Amporn	Nilpirom	Director
7	Mrs. Pornchit	Phanpanit	Director
8	Miss Pilaiphan	Lattanan	Director
9	Lt. Gen. Trirat	Pinmanee	Director and President of Audit Committee
10	Miss Kanya	Bussayaratsamee	Director and Audit Committee
11	Mr. Piyaporn	Limcharoen	Director and Audit Committee
12	Pol. Maj. Gen. Wanchai	Wisuttinan	Director and Audit Committee

Authorized Directors, as specified by the Company's certified letter, are "Mrs. Chamlong Phanpanit, Mr. Samphan Phanpanit, Mr. Palits Phanpanit and Mrs.Ornzalochaya Bunnag, whereby 2 of 4 Directors must jointly sign and with the Company's seal."

Scope of Duties and Responsibilities of the Board of Directors

- (1) To administer and manage the Company according to the laws, the objectives, and the Article of Association of the Company, as well as the resolution from the Shareholders' Meeting with the consent of the laws;

- 
- (2) To formulate and/or approve Company's objectives, direction, policies, business plans, and budget. Supervising administration and management activities of the Executive Committee and the Meeting;
 - (3) To appoint Directors and/or Executive Committee with the authority to perform management function as assigned by the Board of Directors;
 - (4) To appoint a Managing Director or assign authoritative power to a third party to perform management duty for the Company under the supervision of the Board;
 - (5) To consider and approve pledge of the Company's or subsidiaries' assets as collaterals or for guarantees that will cause the Company contingencies and commitments;
 - (6) To consider and approve investment for business expansion, as well as joint-venture activities with other business operators;
 - (7) To consider and approve delegation of authoritative power within the Company.
 - (8) To conduct performance evaluation on the Chairman of the Executive Committee and the Executive Directors on a regular basis.
 - (9) To take responsibility in the Company's operating results and the operations/ actions taken by the management, to ensure utmost determination and caution in daily operations.
 - (10) To arrange for a reliable accounting system, financial reporting and audit process, as well as an evaluation process to ensure suitability of internal control and internal audit systems, for the purpose of efficiency and productiveness.
 - (11) To prevent the possibility of conflicts of interest as a result of connected transactions.
 - (12) To perform according to good Corporate Governance principles and ensure ethical behavior.
 - (13) To report own responsibility in the preparation of financial reports, by presenting it in conjunction with the Auditor's Report section of the Annual Report; and to cover important issues in entirety, as per the policy on Appropriate Conduct by the Directors of Companies Listed on the Stock Exchange of Thailand.

2. Executive Committee

The Executive Committee as at 31 December 2006 comprised of 8 members as follows:

	Name		Position
1	Mrs. Chamlong	Phanpanit	Chairman
2	Mr. Samphan	Phanpanit	President
3	Mr. Palits	Phanpanit	Managing Director
4	Mrs. Ornzalochaya	Bunnag	Senior Executive Director
5	Mrs. Amporn	Nilpirom	Assistant Managing Director
6	Mr. Chan	Lertprasertpakorn	Executive Director
7	Mr. Suraphan	Kankhetr	Executive Director
8	Mr. Thanit	Dhanasunthorn	Executive Director

Scope of Duties and Responsibilities

- (1) To establish business policies, directions, strategies, operating procedures and practices in accordance with the objectives assigned by the Board of Directors;
- (2) To establish the corporation's structure and allocate management authority;
- (3) To consider and allocate annual budget;
- (4) To audit and follow up implementation of policies and conformity of management guidelines;
- (5) Authorized to consider and screen investment activities in other businesses, related or unrelated to the core business, prior to proposing to the Board of Directors for consideration and approval;
- (6) Authorized to consider and approve borrowings or loans from financial institutions, as well as repayment and expenses concerning the Company's normal business operation within operation within the limit for each transaction, not to exceed 300 million Baht;
- (7) Authorized to consider and allocate pension, financial rewards, or other remunerations with approval from the Board of Directors;
- (8) To perform other duties assigned by the Board of Directors.

However, the Management Committee may delegate authoritative power to an Executive, in order to approve one or more financial issues deemed appropriate by the Board of Directors.

3. Management

The Company's Management comprised of 7 members as follows:

	Name		Position
1	Mr. Samphan	Phanpanit	President
2	Mr. Palits	Phanpanit	Managing Director
3	Mrs. Ornzalochaya	Bunnag	Senior Executive Director
4	Mrs. Amporn	Nilpirom	Assistant Managing Director
5	Mr. Chan	Lertprasertpakorn	Accounting & Finance Director
6	Mr. Suraphant	Kankhetr	Administration Director
7	Mr. Thanit	Dhanasunthorn	Plant Director

Scope of Duties and Responsibilities of Managing Director

- (1) Authorized to supervise administrative activities of the Company in accordance with the policies set by the Board of Directors and to report the operating results to the Executive Committee respectively;
- (2) To consider and allocate annual budget as well as control each and every business unit's expense and annual budget;
- (3) To consider and assess the Company's business operation;
- (4) Authorized to issue order, regulations, announcements, and memorandum to ensure compliance with the Company's policies and for the benefits of the Company;
- (5) Authorized to consider and approve purchase orders and expenses concerning normal business practice within the set credit line for each transaction, not to exceed 100 million Baht, exclusive of land purchase;
- (6) To consider pledging the Company's rights and asset which cause contingencies and commitment onto the Company with an individual, a company, a store, or a financial institution and propose to the Executive Committee for approve;

- (7) To consider the Company's profits and losses, proposal to pay out in term dividend or the annual dividend, and propose to the Executive Committee for approval;
- (8) To proceed with any activities that support the Company's operation, as authorized by the Board of Directors, and under the Board's policies.

4. Audit Committee

The Audit Committee as at 31 December 2006 comprised of 4 members as follows:

	Name		Position
1	Lt. Gen. Trirat	Pinmanee	President of Audit Committee
2	Miss Kanya	Bussayaratsamee	Audit Committee
3	Mr. Piyaporn	Limcharoen	Audit Committee
4	Pol. Maj. Gen. Wanchai	Wisuttinan	Audit Committee

With Ms. Chuntra Jetsadapitak as Secretary

Scope of Duties and Responsibilities

- (1) To review and ensure accuracy of financial reports, conformity to general certified accounting standards and sufficient information disclosure, through coordination with the Auditor and Executives responsible for the preparation of quarterly and annual financial statements. The Audit Committee also holds the right to suggest any review or examination made by the Auditor, on any particular transaction deemed necessary and important during the course of audit.
- (2) To ensure that the Company has an effective and efficient internal control and internal audit system.
- (3) To ensure that the Company abide by the Securities Exchange Act and rules and regulations of the Stock Exchange of Thailand or other laws governing its operation;
- (4) To Consider, select, and propose the appointment of the auditor of the Company and to consider the auditor's compensation;
- (5) To fully and correctly disclose information on connected transactions and those with potential conflicts of interest;

- (6) To prepare Audit Committee report by disclosing in annual report and certified by Chairman of Audit committee;
- (7) To review and ensure appropriate and effective Risk Management system.
- (8) To review and provide opinions regarding internal audit strategy; performance of the Office of Internal Audit; and to coordinate with the Auditor.
- (9) To consider and review the scope and evaluate the performance of the Audit Committee on an annual basis.
- (10) To perform any duty assigned by the Board of Directors with the consent of the Audit Committee.

5. Risk Management Committee

The Risk Management Committee as at 31 December 2006 comprised of 4 members as follows:

	Name		Position
1	Miss Pilaiphan	Lattanan	President of Risk Management Committee
2	Mr. Piyaporn	Limcharoen	Deputy of Risk Management Committee
3	Mr. Palits	Phanpanit	Risk Management Committee
4	Ph. D. Nipon	Jongpitaksyl	Risk Management Committee

Scope of Duties and Responsibilities

- (1) To establish policies, scope of the completely company's risk management that should be cover any risks may affect to company's operation that may occur by either internal or external factors.
- (2) To establish any strategies to correspond to overall risk management policies of the company including able to evaluate, monitor, and maintain proper risk level together with providing early warning system.
- (3) Reviewing adequacy of policy, risk management system, its efficiency, and constantly complying with such policy to improve overall risk management of company circumspectly, concisely, and efficiently.
- (4) To establish, consider, select and propose the appointment of the subcommittee or member of risk management team with reasonably and has to prepare the report to Committee and Board of Director.
- (5) To regulate that supervising, tracking, controlling and inspecting any operation of subcommittee or risk

management team as well as has an authority to demand any report, information, and person to explain the facts for achievement of operation.

- (6) To prepare risks and risk management report by included the factors that may affect to any operations to Board of Director with introduce solution for its problem to considering to Board of Director.
- (7) To report with Audit Committee of Investigation to link risk management system to internal control and correspond to stipulated policies and strategies.

6. Nomination Committee

At the Board of Directors' Meeting No. 10/2006, as at November 14, 2006, Mrs. Chamlong Phanpanit, Chairman of the Company, had appointed Pol. Maj. Gen. Wanchai Wisuttinan to assume the position of the Chairman of the Nomination Committee. Chairman of the Nomination Committee then appointed 3 Directors to the Committee as follows:

	Name		Position
1	Pol. Maj. Gen. Wanchai	Wisuttinan	President of Nomination Committee
2	Mrs. Porntip	Lattanan	Nomination Committee
3	Mrs. Amornrat	Angkhasekvilai	Nomination Committee
4	Mr. Piyaporn	Limcharoen	Nomination Committee

Chairman of the Nomination Committee appointed Mr. Ratchada Suwanjinda as the Secretary to the Nomination Committee.

Scope of Duty and Responsibility for the Nomination Subcommittee

- (1) To select and nominate a person deemed suitable for a Director position, with transparency and according to the requirements, as well as propose from a list of nominees recommended by the shareholders (if any). The nominee must possess the following qualities: sound knowledge, capability and independency; perform the duty as a Director with prudence, honesty and utmost dedication; proper age, healthy and mentally sound; and an ability to attend the Directors' Meeting on a regular basis together with preparation well in advance.
- (2) To make an arrangement in advance for a slate of nominees and/or in the event of vacancy of the Director or President position.
- (3) To request for opinions and suggestions from the Board of Directors and/or other Committees to support the

consideration process on selection and nomination, before proposing a list of nominees for election by the Board of directors or the Shareholders' Meeting.

- (4) To perform any other assigned duties in relation to nomination of Directors.

7. Compensation Committee

At the Board of Directors' Meeting No. 10/2006, as at November 14, 2006, Mrs. Chamlong Phanpanit, Chairman of the Company, had appointed Lt. Gen. Trairat Pinmanee to assume the position of the Chairman of the Compensation Committee. Chairman of the Compensation Committee then appointed 3 Directors to the Committee as follows:

	Name		Position
1	Lt. Gen. Trirat	Pinmanee	President of Compensation Committee
2	Mrs. Amporn	Nilpirom	Compensation Committee
3	Ms. Kanya	Bussayaratsamee	Compensation Committee
4	Mr. Piyaporn	Limcharoen	Compensation Committee

Chairman of the Compensation Committee appointed Miss Chuntra Jetsadapituk as the Secretary to the Compensation Committee.

Scope of Duty and Responsibility for the Compensation Subcommittee

- (1) To propose the remuneration structure for the Board of Directors and high-ranked Executives of the Company, inclusive of meeting allowances, annual bonus, welfare allowances and other fringe benefits and compensations, both in monetary and non-monetary terms.
- (2) To propose a policy and guidelines on remuneration method for high-ranked Executives on an annual basis.
- (3) To evaluate the Company's achievements in order to establish the annual rates for bonus and wage increase.
- (4) To propose the wage structure as well as structures for other benefits and compensations for the Company.
- (5) To perform any other duties assigned by the Company's Directors and approved by the Audit Committee.

In performing the above-mentioned duties, the Compensation Committee had requested for consultation with an independent expert, which was carried out on the Company's expense previously approved by the Board of Directors.

Nomination of Board Members and Executives

The Company has appointed a Nomination Committee for the purpose of seeking nominees with qualifications, knowledge, experience and expertise appropriate to manage the tasks, and proposing a slate of nominees for the Director positions. In the event that a Director position is vacant, Chairman of the Nomination Committee and its Directors shall gather a list of candidates with qualifications, knowledge, capability, experience and expertise in management and supervision appropriate for the Director position. Then the slate of nominees is proposed to the Nomination Committee for consideration, screening and selection in the first stage. The Nomination Committee shall, thereafter, propose the nominees who have passed the first stage of selection criteria to the Board of Directors in order to consider, screen and select only a number equivalent to the vacant positions. The finalists shall then be proposed for election by the shareholders at the Annual Shareholders' Meeting via the process of majority votes of attending shareholders eligible to vote for a Director, according to the following regulations and methods:

- (1) Each shareholder holds the right to a number of votes equivalent to that of the number of shares he/she has in possession.
- (2) Each shareholder shall cast all of the votes described in (1) to appoint one or more persons to assume the Director positions. In the case of voting for several persons to assume the Director positions, unequal votes to each person are strictly prohibited.
- (3) Each and every person to receive highest votes in respective order shall be appointed Directors, equaling to the number of vacant positions thereof. In the event that a number of respective appointees with the same number of votes exceed the number of vacant positions, the Chairman of the Meeting shall hold the right to make the final decision.

As for the selection criteria for a list of suitable candidates, the Nomination Committee shall consider and select in accordance with the requirements and qualifications set forth in Section 68 of the Public Company Act B.E. 2535, as per the related notification of the Securities and Exchange Commission, in conjunction with consideration on the candidates' knowledge, capability, experience and expertise in management. These procedures will ensure that the nominees for election at the Annual Shareholders' Meeting have in their possession all of the qualifications required by the law, as well as knowledge, capability, experience and expertise in management, which will beneficially contribute to the Company's business operation.

Composition and Election of Board Members

- (1) The Board of comprises of at least 5 Directors, with at least half of the number of Directors residing in the country. The Board of Directors will consider and appoint a candidate according to qualification criteria specified by Section 68 of Public Company Act B.E. 2535 and related notifications issued by the Securities and Exchange Commission. Moreover, experience, knowledge, and skills related to the business must also be taken into considerations before making recommendations and proposing candidate at the Shareholders' Meeting for further consideration and election;

- (2) At each annual Shareholder's Meeting, one-third of the Directors are required to retire by rotation. If the exact number divided by three cannot be accomplished, the closest number is acceptable. The name will be drawn to determine whose term will expire in the first year and the second year after listing of the Company. As for the following years, the next directors to retire are those with the longest tenure, whereby a retired Director is eligible for re-election by the shareholders;
- (3) The Shareholders' Meeting is in charge of electing Directors through majority votes according to the following criteria and methods:
 - 3.1 A shareholder has the right to the same number of votes as the number of shares he/she has in possession;
 - 3.2 Each shareholder must use up the entire number of votes as in 3.1, to appoint one or many candidates for the Director position, but the number of votes cannot be unequally divided in voting for different candidates;
 - 3.3 The candidates next in line with majority votes are also the ones elected Directors, but only up to the number of seats available. In the case that the respective candidates receive the same number of votes, and at the point, the number of Directors needed for the positions already exceed the limit, the Chairman of the Meeting will determine the final resolution;
- (4) In the case of casual vacancies, the Board of Directors is to pass resolution with no less than three-quarter of the votes, in electing an individual not forbidden by the law of public to fill the vacant position in the next Board Meeting. Unless the term of office is less than 2 months, as the elected individual can only hold the Director position as long as the remaining term of the one he/she has replaced;
- (5) The Shareholders' Meeting may pass the resolution to terminate a Director prior to term with no less than three-quarter of the votes from the number of shareholders attend with the rights to vote, and the number of shares must add up to no less than half of the number of shares held by the shareholders attended with the rights to vote.

Composition and Election of Executive Committee

The Board of Directors appointed Executive Directors by electing from a number of Company's Directors.

Composition and Election of Audit Committee

The Board of Directors and/or the Shareholders' Meeting appointed Audit Committee by electing at least 3 candidates with complete qualification consistent with the announcement of The Stock Exchange of Thailand and with an office term of 2 years each.

Composition and Election of Risk Management Committee

The Board of Director appointed Risk Management Committee by electing 2 persons from Board of Director, 1 person from Audit Committee and 1 person from the independent of the committee and with an office term of 2 years each

Composition and Election of Nomination Committee

Chairman of the Nomination Committee has been appointed by Chairman of the Board of Directors, through a selection from the list of independent directors and nominees proposed by the Board of Directors, to assume a 2-year term rotation of duties.

Composition and Election of Compensation Committee

Chairman of the Compensation Committee has been appointed by Chairman of the Board of Directors, through a selection from the list of independent directors and nominees proposed by the Board of Directors, to assume a 2-year term rotation of duties.

Self-Evaluation Process for the Board of Directors

The Board of Directors shall conduct a self-evaluation on their performance, as per the requirements set by the Stock Exchange of Thailand, as self-evaluation by the Board of Directors is a vital stage of the development process towards good Corporate Governance. The evaluation results shall be submitted to the Chairman of the Nomination Committee, and shall be used to support future consideration and selection of Directors.

Management Remuneration

1. Financial Remuneration

Transaction			Remuneration Detail	2006	
				Number (Person)	Amount (Million Baht)
Directors* (Director Status)			*Monthly Remuneration and Meeting Attendance Fee		
1.	Mrs. Chamlong	Phanpanit		-	0.50
2.	Mr. Samphan	Phanpanit		-	0.24
3.	Mr. Palits	Phanpanit		-	0.24
4.	Mrs. Ornzalochaya	Bunnag		-	0.24
5.	Mrs. Amornrat	Angkhasekvilai		-	0.24
6.	Mrs. Amporn	Nilpirom		-	0.24
7.	Mrs. Pomchit	Phanpanit		-	0.24
8.	Miss Pilaiphon	Lattanan		-	0.24
9.	Lt. Gen. Tirat	Pinmanee		-	0.60
10.	Miss Kanya	Bussayaratsamee		-	0.30
11.	Mr. Piyaporn	Limcharoen		-	0.30
12.	Pol. Maj. Gen. Wanchai	Wisuttinan	-	0.30	
Executive Directors and Management (Management Status)			*Monthly income and bonus *Provident Fund and Social Security	8	24.70 0.72

Note:

* Executive Remuneration includes President of Executive Committee, Managing Director, Deputy Managing Director, Senior Executive Directors, Assistant Managing Director, and Executive Directors

2. Other Remunerations for Executive Directors Management

The Company had provided benefits in the form of a residence for Mrs. Chamlong Phanpanit, President of the Company. However, the Company does not have a policy to provide compensation to other Executives in the form of a residence again in the future.

Corporate Governance

The Board of Directors recognized its roles, duties, and responsibilities to the Company and the shareholders, and follows the policy to perform in accordance with the Code of Best Practices for Directors of a listed company consistent with the guidelines set by The Stock Exchange of Thailand, and for the Company to pursue good corporate governance principle, as well as an affective assessment system which will enhance appropriate development and growth level for the Company. The guidelines and procedure for good Corporate Governance are as follows:

1. Corporate Governance Policy

The Company had formulated a policy for good corporate governance, in recognition of the importance and necessity in sustaining growth for the Company, through honesty and integrity, professional management and administration, and transparency, by taken into considerations the equitable rights of shareholders, formulation of structure, duties and responsibilities of each Board Committee and the Managing Director. The Company had operated in a transparency manner; adequately and duly disclosed information to invertors; and established Control and Risk Management System through operation with care and performing risk assessment activities as well as formulating appropriate strategy for rectification and monitoring of Risk Management on a regular basis. The Company had also supported Management and operating staff according to ethical conduct, righteousness, and fairness.

2. Equitable Rights and Fair Treatment of Shareholders

The Company had a policy to treat all shareholders with equality and fairness, by taking into account the importance for shareholders to exercise their rights in accessing the Company's information, for adequate information and in a timely manner. The shareholders' Meeting was therefore set up to serve the propose, whereby the Company sent out Notice of the Meeting and supporting documents at least 7days prior to the meeting, in accordance with the law. The minutes of the meeting were also recorded in an accurate and complete manner, and available for the shareholders to review.

3. Stakeholders' Rights

The company was aware of the importance of the Stakeholders' rights, whether such stakeholders were internal ones namely staff and Management of the Company or subsidiaries, or external ones namely clients, business partners, competitors, creditors, public sector, and other related parties. The Code of Conduct was set up for all staff to comply and pursue, along with everyday operation. The staff had also committed to any relevant laws, rules, and regulations in order to serve for the best interests of the stakeholders.

4. Shareholders' Meeting

Notice of the meeting, detailed agenda, and supporting documents were sent to the shareholders at least 7 days prior to the Shareholders' Meeting. The Meeting was organized in an appropriate manner and with sufficient time. The Company had a policy to allow fair opportunity and equitable rights among shareholders in assessing and reviewing the Company's operating activities, as well as to make any inquiries and suggestions. All issues concerning queries and critical recommendations were recorded in the minutes of the meeting.

5. Leadership and Vision

The Board of Directors comprised of Directors with knowledge, skills, and experiences regarding the business operation, and were responsible to determine policies, vision, strategies, targets, duties, business plans, and Company's budget, as well as supervise the administrative department to perform its duties stipulated by the policy in an effective and productive manner, in consensus with the laws, the objectives, the Company's rules and regulations, and the shareholders' resolutions. The Board also possessed responsibility, honesty, integrity, and carefulness, under "Best Practice for the Board of Directors of a listed Company" principle. In order to increase the economic value for the business, and utmost stability for the shareholders. The Company also recognized the importance of Internal Control System and appropriate measures for Risk Management, as well as an Audit System that shall ensure a lawful business operation and good control system.

6. Conflicts of Interest

The company established a measure to prevent potential conflicts of interest, which was through shareholder restructuring activities, in order to remove any possible conflicts of interest. The Company also set up an Audit Committee to consider and disclose any information regarding connected transactions.

7. Code of Conduct

The Board recognized its roles and responsibilities to make use of the knowledge, skills, and experiences in such a way to benefit the operation of the business in an ethical manner. The Company had constructed written guidelines for the Code of Conduct, to be carried out along with the duties for the Company. The Company also established a monitoring system to ensure continuous conformity of the ethical code.

8. Balance of Power for the Board of Directors

The board consisted of 12 members as follows:

- 4 Executive Directors
- 8 Non-Executive Directors
- 4 Independent Directors, accounted for 33.33% of the entire Board

9. Aggregation or Segregation of Power

The Company clearly and specifically allocated duties and responsibilities for the Board of Directors, Executive Directors, and Managing Directors. Moreover, the Company had formulated and Audit Committee which comprised of Independent Directors for balance of power purpose, as well as to review the Company's management and administrative activities.

10. Director and Executive Remuneration

The Company had determined an appropriate and attractive level of remuneration for Directors, an adequate amount to maintain quality Directors, and ensure that such amount was comparable with those of the industry and appropriate for the assigned duty and responsibility. Management remuneration was determined by the rules and policies set by the Board of Directors, which were related to the operating results and the Management's performance. Remuneration for each Director was determined and approved by the Shareholders' Meeting.

11. Board Meeting

The Board held a meeting consistently and special meeting was called when necessary, by sending Notice of Meeting together with detailed agenda and supporting documents to members of the Board no later than 7 days prior to the meeting in order for each Board member to have sufficient time to thoroughly peruse through the documents prior to attendance. Each Director was obligated to attend every Board meeting, except for the case of emergency. In 2005, the Audit Committee held a total of 5 meetings, and the Board of Directors held a total of 15 meetings, whereby the attendance by each and every Director of the Company can be summarized as follows:

	Name		Number of Attendance (Times)
1	Mrs. Chamlong	Phanpanit	12
2	Mr. Samphan	Phanpanit	12
3	Mr. Palits	Phanpanit	12
4	Mrs. Omzalochaya	Bunnag	12
5	Mrs. Amomrat	Angkhasekvilai	12
6	Mrs. Amporn	Nilpirom	12
7	Mrs. Pornchit	Phanpanit	12
8	Miss Pilaiphan	Lattanan	12
9	Lt. Gen. Trirat	Pinmanee	12
10	Miss Kanya	Bussayaratsamee	12
11	Mr. Piyaporn	Limcharoen	12
12	Pol. Maj. Gen Wanchai	Wisuttinan	12

12. Subcommittees

The Company appointed the Board Committees as well as Subcommittees, whereby each committee was clearly assigned its scope of duties and responsibility.

- Audit Committee as details 9.2.4
- Risk Management Committee as details 9.2.5
- Nomination Committee as details 9.2.6
- Compensation Committee as details 9.2.7
- The Board of Directors also set up subcommittees in assisting as.
- Audit Committee with 4 members were appointed for the Audit Committee each with a 2-years term in office and all were Independent Directors.

- Risk Management Committee with 4 members were appointed for the Risk Management Committee each with a 2 years term in office and the member were 2 members of Board Directors, 1 member of Audit Committee and 1 member of the honor person.

- Nomination Committee with 4 members were appointed for the Nomination Committee each with a 2-years term in office and the member were 2 members of Board Directors, 2 member of Audit Committees.

- Compensation Committee with 4 members were appointed for the Risk Management Committee each with a 2 years term in office and the member were 1 member of Board Director, 3 members of Audit Committees.

13. Controlling System and Internal Audit

The Company clearly set duties, responsibilities, and authoritative power for each and every operating staff and Management in writing. The duties of operating staff, supervisor, and assessor were efficiently separated for balance of power purpose and to be able to cross-audit in an appropriate manner. Moreover, the Company had an Internal Audit Department which worked independently and was able to fully and effectively audit and balance the power, Internal Audit directly reported audit results to the Audit Committee in order to develop an independent system and fully and effectively perform audit activity.

14. Report of the Board of Directors

The Board of Directors is responsible for financial statement of the Company and subsidiaries, and disclosure of financial information in the Annual Report. The Board is confident that the internal control system is effective, and will ensure that the accounting and financial records are accurate, complete, and sufficient, in order to effectively maintain the Company's assets and financial stability.

15. Investor Relations

After the Company had been registered in the Stock Exchange, the Company had a policy to establish Investor Relations in taking care of disclosure of information in an accurate, complete, transparent, and extensive manner. The information included financial information, general information, as well as important information that will have an impact on the share price. The Company's information was extensively distributed through varieties of channels to institutional investors, shareholders, government officers, and to the public.

Method for the Usage of Internal Data

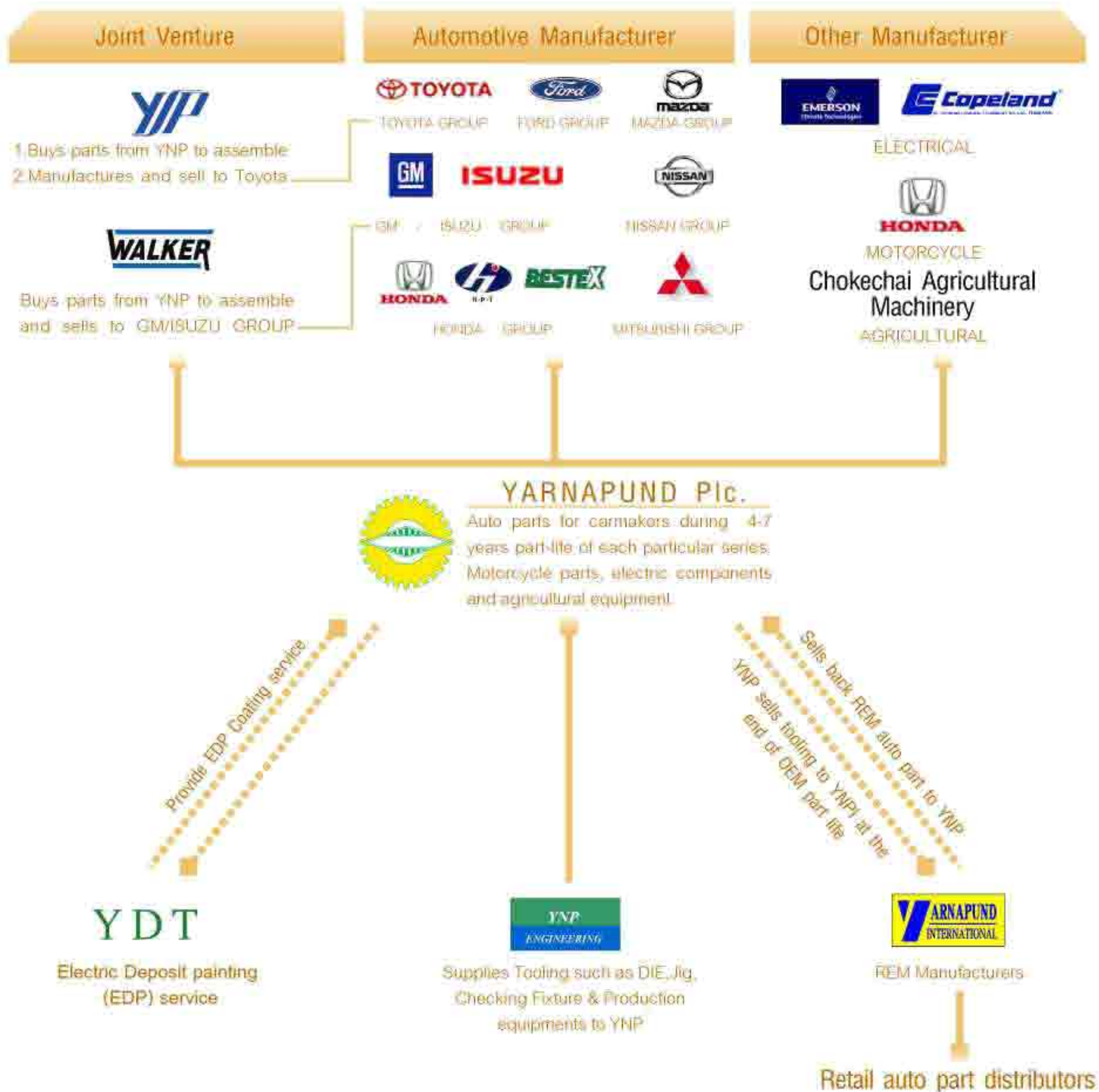
The Company has established a policy and method to prevent Directors and Executive from exploiting internal information; disclosing unauthorized information to the public for their own interests; as well as preventing them from trading the Company's securities as follows:

- To instruct and inform Directors and Executives concerning their responsibility to declare their own, their spouses' and their minor children's possession of securities; provide knowledge on Penalty Section 275 under the Securities and Stock Exchange Act B.E. 2535 and the regulations of the Stock Exchange of Thailand;
- To obligate the Executives in reporting any changes in their possessions of securities, as per Section 59, to the Securities and Exchange Commission and The Stock Exchange of Thailand according to the set criteria, by submitting a copy of such report to the Company to keep as evidence;
- To send out circulation letter to inform the Executives and staff concerning important internal information which may produce an impact upon the price of securities, and prohibit them in trading the Company's securities for a period of one month prior to the release of financial information or internal information to the public, and prohibit them from releasing important information to others;
- The regulations and operating procedure clearly state the prohibition of the Company's staff in disclosing the Company's confidential information to external individuals, or the exploitation of their positions in the Company for own or others' benefits, with the disciplinary punishment already set in case of violation.

Nature of Operation

The company was established on 21 April 1952 as OEM manufacturer for auto parts. Its production expertise or the core products being exhaust parts, accelerators, brakes and clutches pedal set (ABC-SET). The company also manufactures press part for motorcycles, electric components, and agricultural equipments. Yarnapund International Company Limited (YNPI) was later on established to manufacture and distribute REM parts at a national level, while YNP Engineering Company Limited (YNPE) was set up to design and manufacture Tooling including DIE, JIG, Checking Fixture (C/F) and Equipments

The group currently is a full-fledge provider of auto parts, with an overall picture as follows:



Sale Brakedown by Product

PRODUCT	2004	2005	2006
Exhaust	50.68 %	49.70 %	45.68 %
ABC Pedal Set	5.39 %	11.18 %	12.46 %
Press Part	33.27 %	35.37 %	38.09 %
Tooling	10.12 %	3.74 %	3.77 %
Total Sales	100.00 %	100.00 %	100.00 %

EXHAUST SYSTEM



ABC PEDAL SET



PRESS PARTS



TOOLING



Industry Condition and Competition

Overall Economic Environment

Thailand's economic condition in general, according to the Bank of Thailand's report as at December 2006, indicates continuous appreciation of baht currency. During the month, the exchange rate was 35.78 baht/US\$ on average, strengthening by 1.97 percent from the previous month (average exchange rate for the month of November was 36.50 baht/US\$). Domestic headline inflation rate was 3.5 percent in December 2006, in comparison to the same month last year. Retail prices for oil, based on the report issued by PTT Public Company Limited as at December 2006, indicated a total of 4 adjustments in oil prices. The first adjustment which took place on December 2, 2006, was an increase in all retail prices for oil, following the possibility that OPEC would reduce its output capacity, which had led to continuous increase in demand from petroleum suppliers and funds. Coupling with the weather report, predicting a possibility of an unusually cold climate in the USA, the result was therefore a rise in oil prices. The second adjustment took place on December 7, 2006, this time a downward adjustment in diesel price as a result of warmer climate in the USA as well as an ability to maintain reserves for crude and refined oil at a high level. Altogether, it had led to a drop in oil prices. The third adjustment took place on December 16, 2006, when another reduction in diesel price occurred following appreciation in the baht value in comparison to US currency, which had led to cost reduction. The fourth adjustment took place on December 23, 2006, an upward adjustment to retail prices of all types of benzene following an unanticipated decline in US crude reserves as well as higher demand for oil from Indonesia, Vietnam and Australia. Together with an unusually cold weather in the USA, Europe and North Asia, while oil producing countries cut down on their output, it had eventually ended in oil price hike.

Negative Factors that created a negative impact upon auto industry remained continuous appreciation in the baht currency. However, the Bank of Thailand has already issued a measure to intercept further baht appreciation. This is for the purpose of preventing short-term speculations which may possibly create an impact upon exporters who could incur a loss from foreign exchange. Together with political unrest and volatile economic condition during this month, consumers' confidence index had declined by 8.1 percent, from 29.8 to 27.4 percent in November 2006.

Positive Factors For the month of December 2006, even though several negative factors had created quite an impact upon the automotive industry, a downward trend in oil prices as well as stable to declining rate of interest were considered positive effects for the industry. At the 23rd Motor Expo or Motor Expo 2006 that took place from November 29 to December 11, 2006, at Challenger Hall, Muangthong Thani, several car manufacturers had arranged for promotions to attract customers, and hence, successfully stimulated sales by the end of the year. By the end of the show, total number of cars sold were 17,106, a 2 percent drop from 2005 (17,128 cars) but still, 2,106 cars or 14 percent higher than projection. The top 3 best selling brands were Toyota, with total sales of 5,529 cars; Isuzu with 2,950 cars; and Honda with 2,119 cars sold. Even Spyker brand from The Netherlands (43.5 million baht/car), the most expensive car at the event, was able to sell 1 car. This year, sales of pickup trucks and passenger cars were at a similar level. The best seller in the pickup truck category was Toyota Hilux Vigo, while Honda Civic was the winner for passenger car category. As for the best sellers in the passenger car category classified by type: Compact car – Toyota Vios;

Medium-sized car – Honda Civic; Full-sized car – Toyota Camry; MPV – Mitsubishi Spacewagon; and SUV – Honda CRV (Source: Manager Online)

Thailand's Automotive Industry 2007

During January – December 2006, total number of cars produced was 1,188,044, a 5.57 percent increase as compared to 1,125,316 cars produced during the same period last year. Domestic sales were 682,161 cars, indicating a 3.02 percent drop in domestic car sales when compared with 703,405 cars during the same period in 2005. Total export of 538,966 cars indicated a 22.29 percent increase, in comparing to 440,715 cars exported during the same period last year.

As for motorcycles, production of CBU motorcycles totaled to 2,084,001, compared to 2,358,510 motorcycles produced during the same period in 2005, or an 11.64 percent drop. Motorcycle sales in domestic market totaled to 2,054,588, as compared to 2,112,426 motorcycle sales in the same period last year, indicating a 2.74 percent drop. Total motorcycle export was 1,575,666, which was a 17.80 percent increase from 1,337,586 motorcycles being exported during the same period of 2005 (Number of CBU motorcycles = 107,562 and CKD = 1,468,104).

According to the information on exports of automobiles and auto parts during January – December 2006 released by Department of Trade Negotiations, total export value was 514,511.20 million baht. From the total amount, car export accounted for 248,787.30 million baht (or 48.35 percent); motorcycle export accounted for 10,153.90 million baht (or 1.97 percent); and auto part export (inclusive of 16,376.90 million baht of motorcycle part export) accounted for 255,570.00 million baht (or 49.67 percent).

Auto part industry in 2006 (Jan-Dec) indicated total value of exports in the amount of 255,570.00 million baht. From this total, auto parts accounted for 239,193.10 million baht (or 93.59 percent) and motorcycle parts accounted for 16,376.90 million baht (or 6.41 percent). As for auto part exports made by car manufacturers between January and December 2006, total exports of OEM parts amounted to 87,170.91 million baht; engines 8,357.93 million baht; and spare parts 5,453.40 million baht. Total value of auto part exports from car manufacturers was, therefore, 102,401.91 million baht, an increase of 12.26 percent from the same period in 2005.

According to the figures released by Department of Trade Negotiations, imports of automobiles and parts in 2006 (Jan-Dec) totaled to 222,560.40 million baht, which can be broken down into a 19,353.70 million baht worth of automobile imports; 2,132.70 million baht worth of motorcycle imports; and 201,074.00 million baht worth of auto part imports (inclusive of motorcycle parts of amount 8,656.20 million baht).

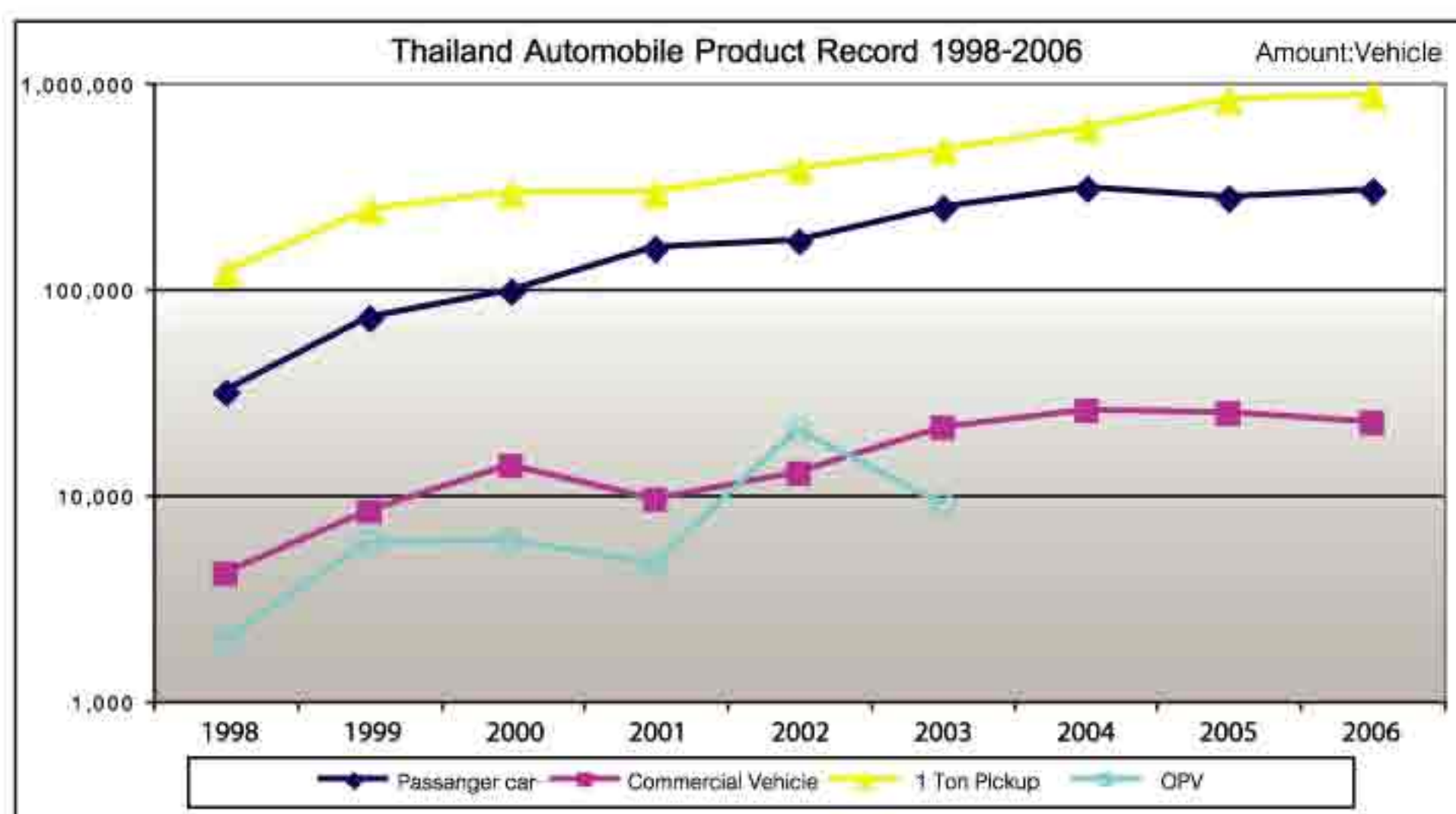
From calculation, the value of exports is higher than imports of automobiles and auto parts by 291,950.80 million baht, or a 36.60 percent increase from 231,724.60 million baht during the same period in 2005.

Auto Production

In 2006 (Jan-Dec), total number of cars produced was 1,188,044: 298,819 passenger cars; 866,769 1-ton pickup trucks; and 22,456 commercial vehicles (excluding 1-ton pickup trucks). Total auto production, in comparison to the same period in 2005, increased by 5.57 percent. The highest percentage increase, or a 7.64 percent increase, was in the category of passenger cars, followed by 1-ton pickup trucks at 5.34 percent, while production rate

for commercial vehicles (excluding 1-ton pickup trucks) declined by 9.62 percent.

Note: OPV has been included in the passenger car category, as per classification by Excise Department

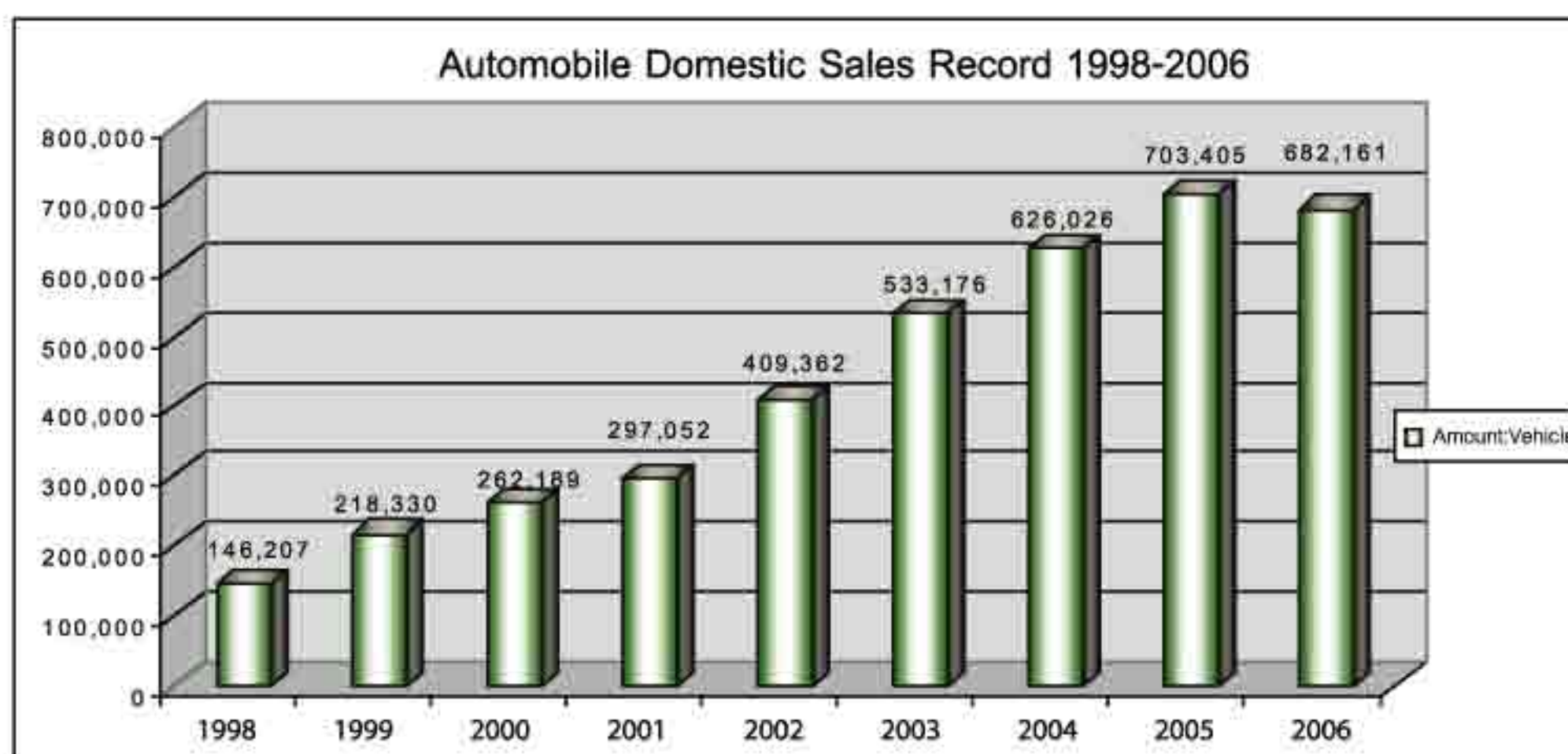


- Note: 1. During 1990-1995, OPV was included in the commercial vehicle category
- 2. 1-ton pickup trucks include Double Cab and PPV
- 3. During 2004-2005 (Jan-Dec), OPV category also included passenger cars, as per tax collection made by Excise Department**

Source: Automotive Club, The Federation of Thai Industries

Domestic Market for Automobiles

In 2006 (Jan-Dec), total number of cars sold was 682,161, a 3.02 percent decline in growth rate as compared to the same period in 2005. Number 1 selling brand was Toyota, with total sales of 289,108 cars or 42.38 percent of total market shares. The second was Isuzu, with total sales of 179,079 cars or 26.25 percent of market shares. The third best seller was Honda, with total sales of 66,633 cars or 9.77 percent of market shares.



** For the years 2004-2006, 1-ton pickup truck category already included PPV

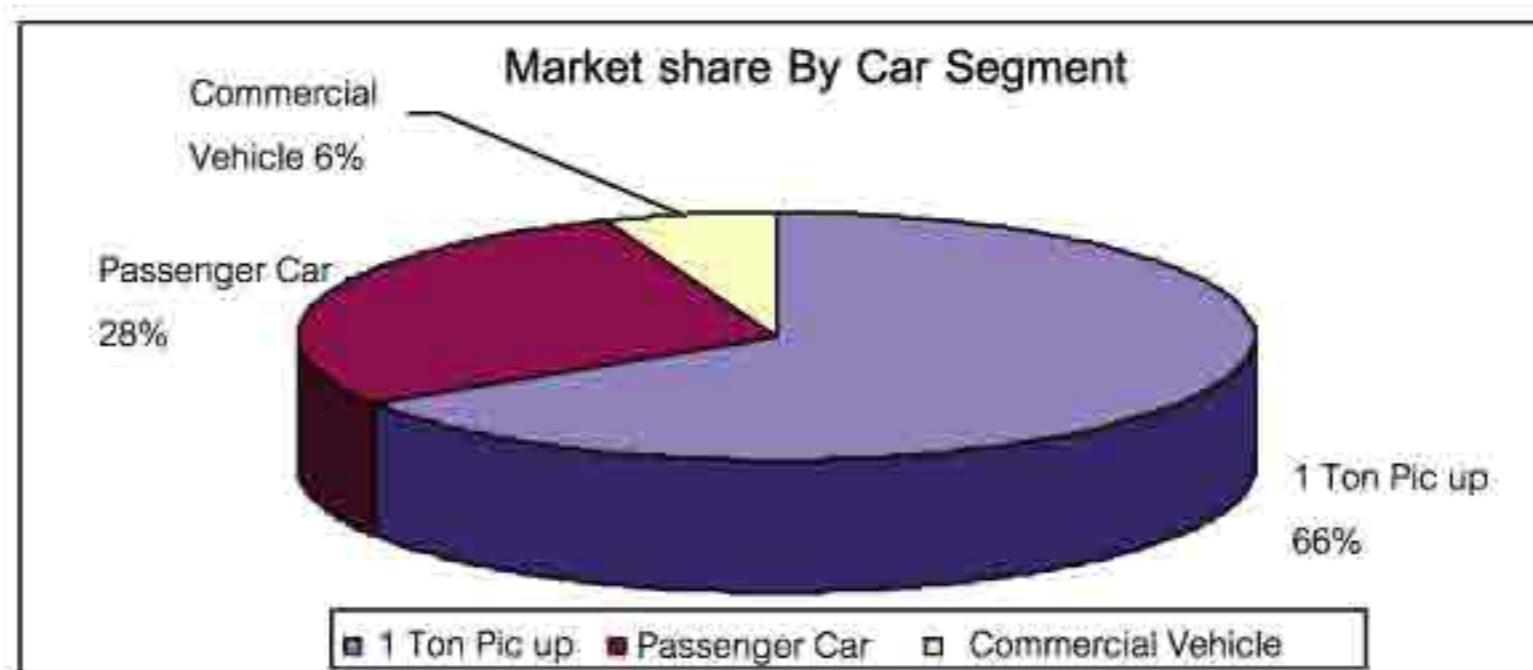
Source: Automotive Club, The Federation of Thai Industries

Market Shares in Thailand: 1-ton pickup trucks (inclusive of PPV) continue to take up the highest portion of market shares. In 2006 (Jan-Dec), the market share for 1-ton pickup trucks was 65.94 percent, seconded by passenger cars at 28.11 percent; and other commercial vehicles (excluding 1-ton pickup trucks) at 5.95 percent, respectively.

Market for Passenger Cars Total number of cars sold was 191,763, or a 1.89 percent growth in comparison to 188,211 cars sold during the same period in 2005.

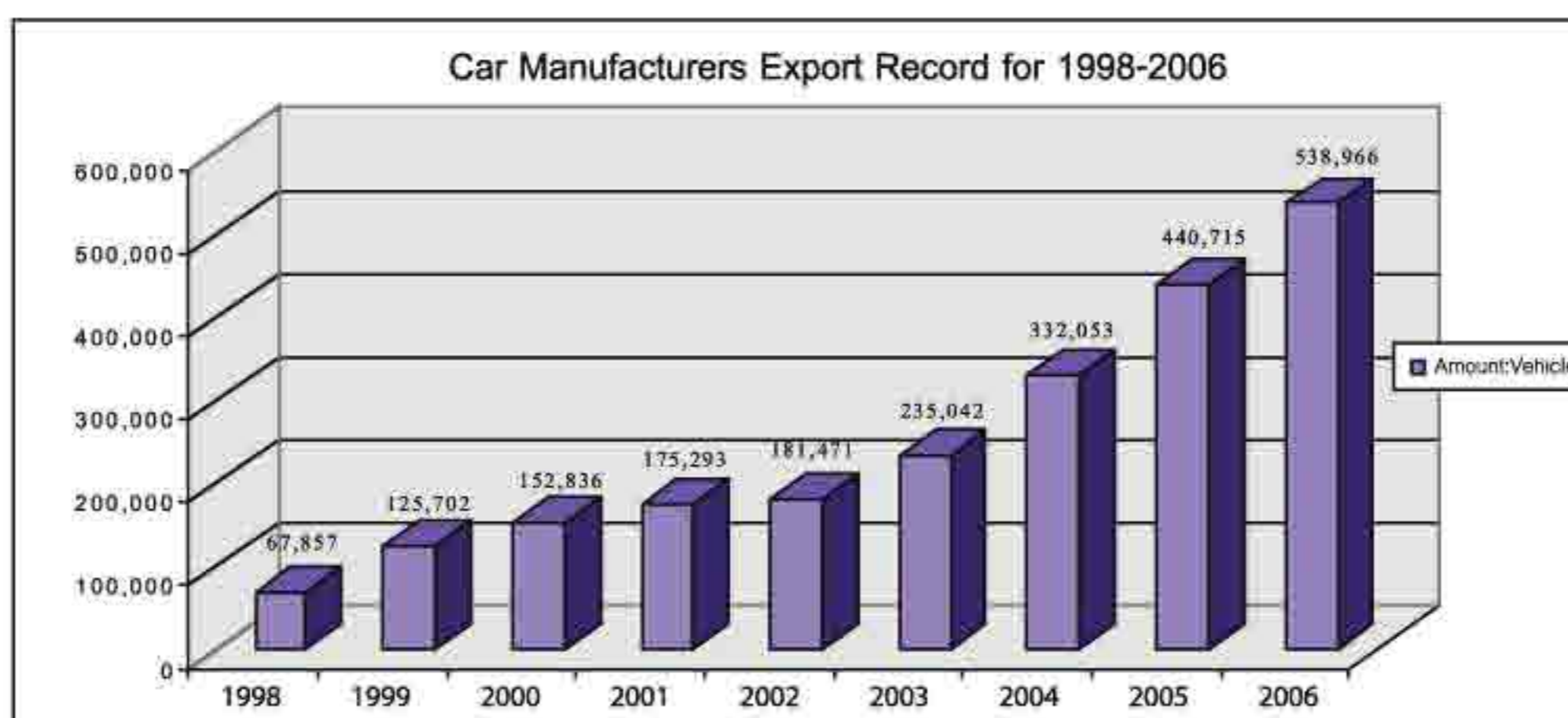
Market for 1-ton Pickup Trucks 1-ton pickup trucks are part of commercial vehicles, and the type with the highest portion of market shares in Thailand. Total sales were 449,796 cars, or a 4.23 percent decline in growth rate, comparing to total sales of 469,657 cars during the same period last year. (This total already includes sales of PPV totaling to 26,401 cars).

Market for Commercial Cars (exclusive of 1-ton pickup trucks) This category includes trucks of various sizes namely below 1 ton, 1.5 tons, 2-4 tons, large trucks as well as vans and micro buses. Total number of vehicles sold for this category was 36,907 comparing to 40,136 during the same period last year, or an 8.11 percent decline in growth.



Auto Exports

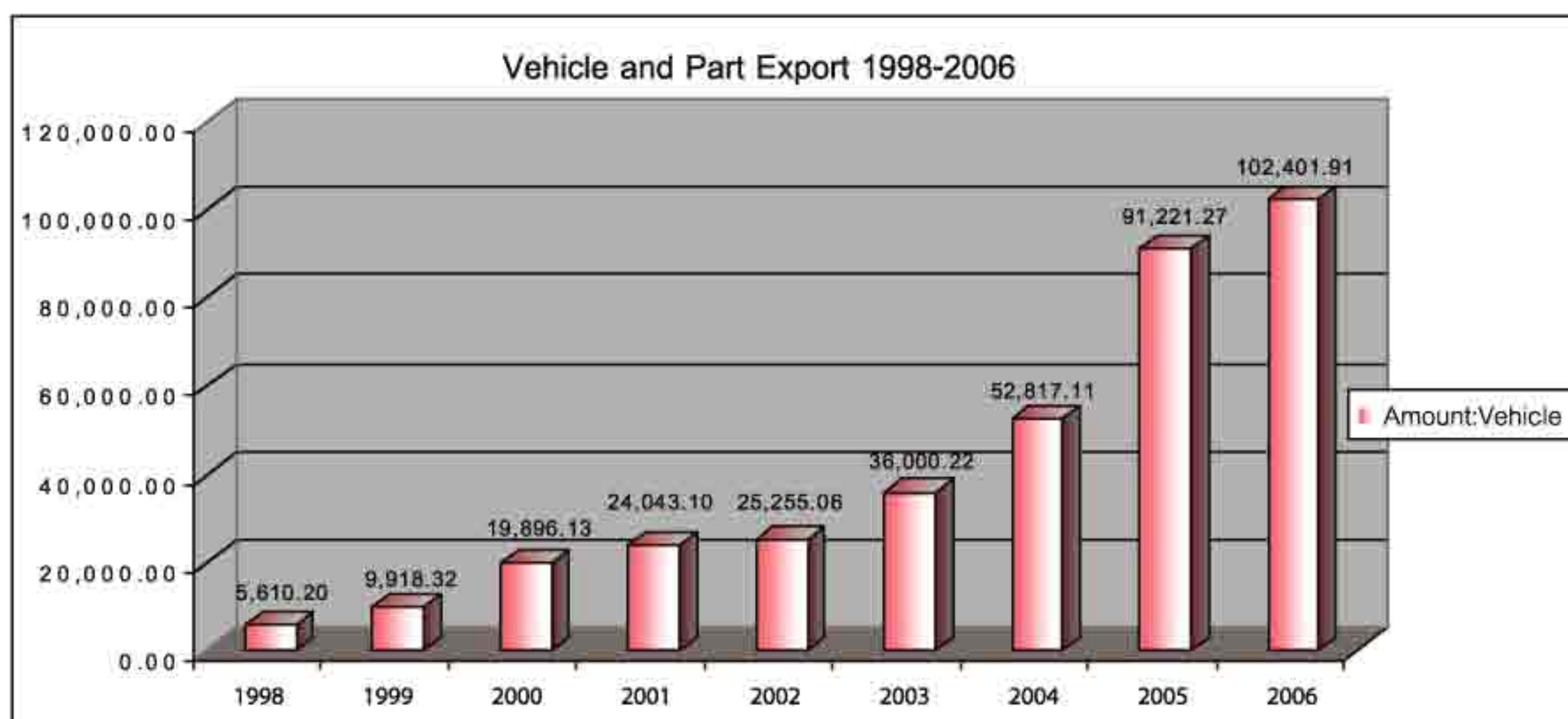
According to the information released by auto manufacturers, total number of cars exported in 2006 (Jan-Dec) was 538,966, a 22.29 percent increase from the same period last year. As for the export value in 2006 (Jan-Dec), the total was 240,764.09 million baht, an 18.59 percent increase from the same period in 2005. The type of vehicles with highest export value was pickup truck, followed by passenger car category.



Source: Automotive Club, The Federation of Thai Industries

Auto Part Exports (Car and Motorcycle Parts)

Total value of exports of auto parts by car manufacturers in 2006 (Jan-Dec) was 102,401.91 million baht, a 12.26 percent increase from 91,221.27 million baht of the same period in 2005. The highest percentage of auto part exports came from OEM Parts whose export value totaled to 87,170.91 million baht, followed by Engines with total export value of 8,357.93 million baht, and Spare Parts whose total export value was 5,453.40 million baht.



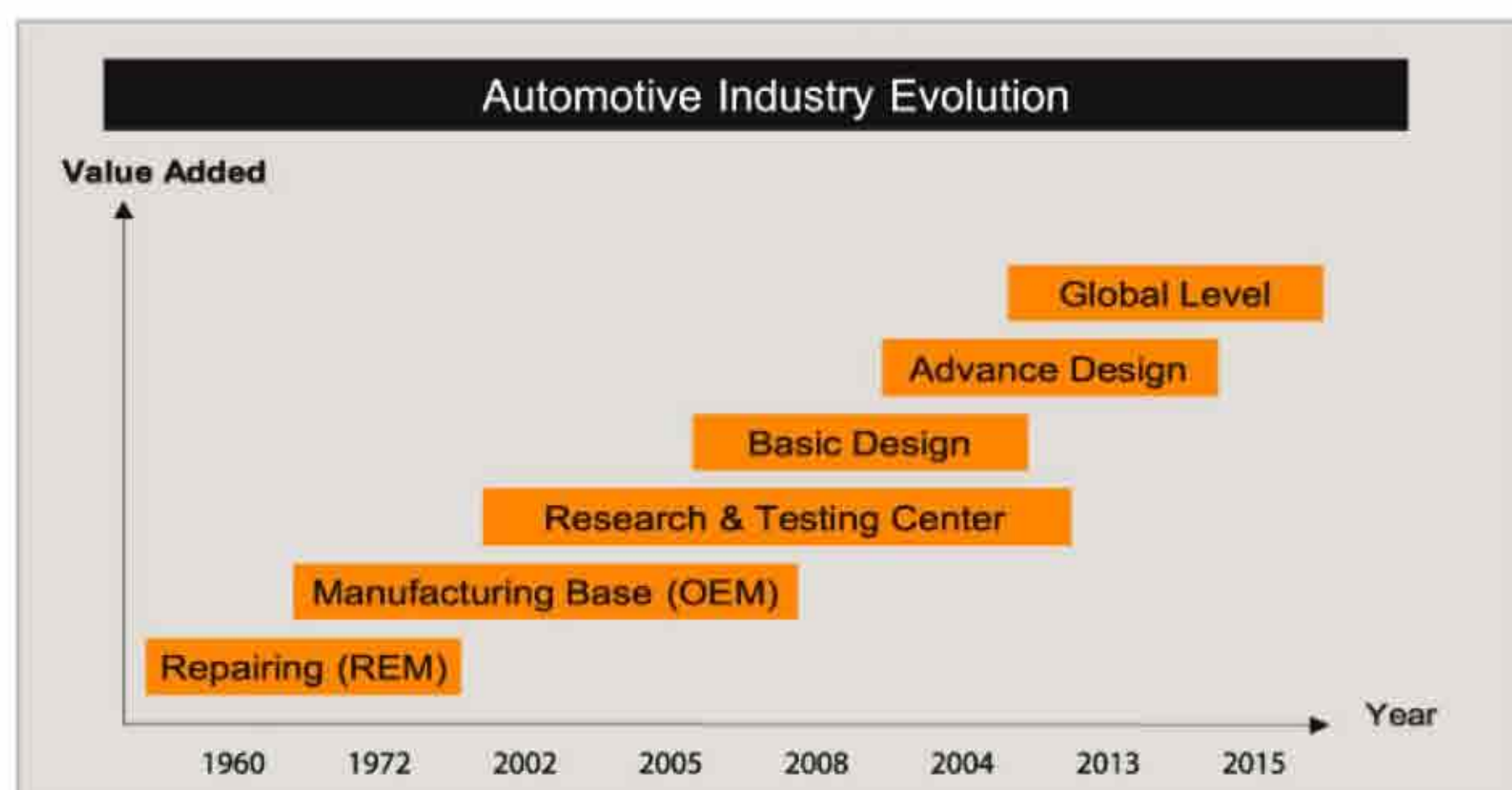
Source: Automotive Club, The Federation of Thai Industries

Prospect of Automotive Industry

An outlook for Thailand's automotive industry is continuous growth, following gradual economic recovery as well as governmental support in driving Thailand to become the production base for automobiles in the Asia region. Thailand has already succeeded in attracting major car manufacturers from Japan and the USA to relocate their production base to Thailand, and make it the center for auto exports to the rest of the world. As such, auto export sector has expanded substantially, and hence, a positive impact to Thai economy as a whole. Since Thailand is currently in a trade deficit, growth in the auto industry especially on the export part can help to mitigate trade deficit problem in some part. The Company also believes that these major car manufacturers will increase their demand for locally produced auto parts, as it will help to lower the cost of transportation as well as other related costs. In addition, Thai auto part manufacturers have developed and improved their production standard, to reach the level considered acceptable by world-class car manufacturers.

Since Thailand now has the potential to manufacture 1 million cars in total, a faster rate than previously aimed, the government has, therefore, adjusted the goal for Thailand's manufacturing potential, to produce a total of 2 million cars by the year 2010. Together with the assessments of trend and possibility from various factors, it is most likely that the new goal will be accomplished. However, it is also largely dependable upon the economic conditions, both domestic and international.

There are a variety of projects that have been developed by the public sectors, in promoting auto part industry in Thailand. The projects include Supplier Development Program (SDP) under industrial restructuring plan, cooperated by Department of Industrial Promotion by the Office of Industrial Support Development, and Thailand Automotive Institute; Auto Part Design and Manufacturing Potential Development Program, under industrial restructuring plan phase 2 by Ministry of Industry; Automotive Technology Transferal Program from Japan, via an Automotive Institute which has been supported by Japanese Government through 4 major organizations namely Japan External Trade Organization (JETRO), Japan International Cooperation Agency (JICA), Japan Overseas Development Corporation (JODC), and New Energy and Industrial Technology Development Organization (NEDO); and Comparative Industrial Information Preparation Program for the purpose of increasing Competitive Benchmarking of automotive and auto part industries, in order to enhance efficiency in production as well as management and administration.



Source: Thai Autoparts Manufacturers Association (TAPMA)

The said projects initiated by the public sector will help to promote Thai auto part manufacturers to develop locally produced parts, from low value added parts such as small press parts, to higher value added parts namely the ability to design own auto parts in the future. Thai Autoparts Manufacturers Association (TAPMA) has set a goal for Thailand to develop and reach world-class standard by the year 2015.

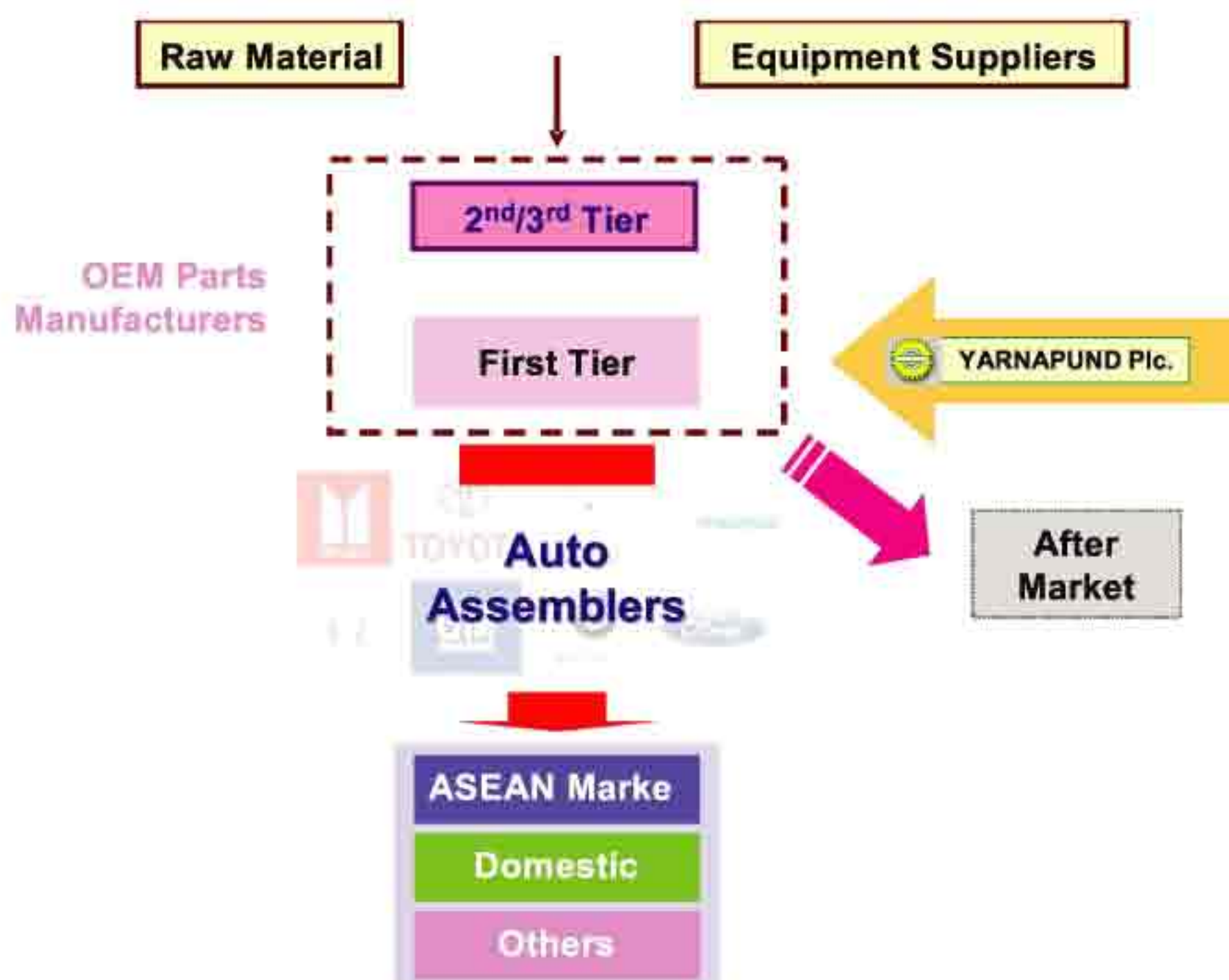
Following Thailand's advancement to position itself as the Hub of Asia, together with higher demand from both domestic and international markets and more apparent co-operations by ASEAN countries, the Company believes that Thai automotive industry will continue to grow in the long run. Thai Autoparts Manufacturers Association had also set a target, for Thailand to be able to expand its production capacity to 1 million cars within 2006.

Auto Part Industry

Auto part industry will grow along side automotive industry by virtue of public sector's policy to promote economic growth and international economic policy such as AFTA (ASEAN Free Trade Area) and FTA (Free Trade

Agreement) between Thailand and Australia, China, India and Japan. Moreover, several car manufacturers have relocated their production base to Thailand and make it their export center. As such, auto part manufacturers of all levels will benefit from this change. Especially, First Tier and Second Tier auto part manufacturers who will be most highly benefited, providing that they have in their possessions the potential and standards required by the car manufacturers. Together with adequate production capacity, First Tier manufacturers will receive even more purchase orders and Second Tier producers will have an opportunity to develop into First Tier manufacturing level.

Business Operation Diagram of Auto Part Industry



In the OEM part manufacturing business, there are several levels or tiers of producers. First Tier manufacturers receive direct orders from car manufacturers, and have an obligation to deliver the parts in a timely manner. First Tier manufacturers are also allowed to decide whether to delegate the work to Second Tier manufacturers. Nevertheless, First Tier manufacturers still hold the responsibility on quality, delivery time and prices, as already agreed with car manufacturers.

Yarnapund Group is a manufacturer that fits both categories: First Tier and Second Tier. For example, YNP is a First Tier manufacturer of Exhaust for Toyota Corolla, via direct purchase orders from Toyota; and it is a Second Tier manufacturer of Exhaust for Toyota Camry, via purchase orders from a joint-ventured company, YSP, who in this case is the First Tier manufacturer.

Marketing Strategies

Services and Production Efficiency

Quality Control

The company and its subsidiaries has focused on the production of quality so there have been quality control in material and manufacturing processes both intermediated processes in the line and finished goods at the end of the processes. The company have received international quality certificate that is ISO/TS 16949. In addition, the company also has received many awards from many vehicle manufacturers in many aspects

YNPE has developed its personnel to be skillful in design and had improved updated Tooling technology as well in order to manufacture Tooling of international quality standard.

YNPE and YNPI were receiving ISO 9001: 2000 certificates might prove not only the quality emphasis of the company but also ascertain the confidence of existing customers and attract new prospects as well.

Delivery

In addition to quality emphasis, the company group still accentuates of arranging superb service to our customers by on-time delivery. By using TPS (TOYOTA Production System) with Just-in-Time: JIT principles, the company and its subsidiaries have an efficient system that can deliver products to customers within schedule and also can reduce the manufacturing cost. In fact, the company has received the reward from TOYOTA to be the prototype company effectively implementing TPS in manufacturing management.

Wide-Spectrum Manufacturing Potential

The company group has a wide-spectrum manufacturing potential from design and tooling production to metal forming production. By using highly updated machinery and technology, the company has been able to produce diverse products in large quantity. Press Machine size 35-1,700 Tons more than 230 sets, Welding Machine and other more than 350 sets, that can support our production in variety parts. Furthermore, YNPE has many dexterous engineers and modernized instruments so the company has been able to efficiently and effectively design and produce tooling to meet the standard.

Good Customer Relationship

The company always maintains good relationship to vehicle groups proving from the company has been a part producer of TOYOTA and HINO groups for more than 30 years and has become a part producer of ISUZU since 1999. In addition to good relationship to vehicle groups, the company also has created good relationship to developers who are the owner of patent of vehicle parts and the company might have received some new technologies to improve its manufacturing efficiency from such developers.

Vigorous Customer Base

Most of the customers of the company are regular customers who have dealt business with the company for a long time and the company usually maintains a good relationship with them. Besides, the company has focused on the production enlargement to other vehicle-parts along with searching for new prospects. The regular customers of the company are:

Automotive Groups	: Toyota Group, Isuzu /GM Group, Honda Group, Ford & Mazda Group, Mitsubishi Group, Nissan Group, Hino Motor
Motorcycle Groups	: Honda Group
Electrical Groups	: Emerson (Copeland)
Agriculture Groups	: Chokechai Agricultural Machinery

Risk Factors

1. Risk from reliability on core customers

At present, the Company's major revenues are generated from sales of auto parts to Toyota. If under any circumstances the customer alters its policy regarding selection of suppliers for auto parts, it may present an impact upon the Company's performance. The Company established a longstanding relationship with Toyota as its first and sole manufacturer of auto parts. It has been doing so for over 30 years, and so, has already gained trust from Toyota. The revenue portion from Toyota has also increased, from the previous 55 percent of total 2005 revenues, to approximately 64 percent of total revenues in 2006. In addition to major revenues generated by supplying parts to Toyota, the Company has purchased its major raw material (steel), from Toyota's subsidiary, Toyota Thusho (Thailand) Company Limited. The purchase amount accounts for 40 percent of total cost of raw material (steel), with no binding contract in regards to the purchase order. Even though the Company has several steel suppliers on hand, it has chosen this particular supplier because the quality matches that of customer's requirement, and the price as well as trading terms and conditions are appropriate.

In addition, the Company has already started to expand its customer base, by capturing other car manufacturers as well. The portion of revenues from this action has increased from approximately 23 percent of total revenues in 2005, to approximately 24.75 percent of total revenues in 2006. The policy to continuously expand its customer base and capture other carmakers has, thus, given enough room for the Company to allow the revenue portion from core customer to decline.

2. Risk from raw material price fluctuation

Major raw material used in the production of auto parts is steel, accounting for 45.88 percent of total cost of production in 2006, and is mainly imported. Fluctuation in steel price and foreign currencies can cause fluctuation in the cost of raw material. Major factor causing fluctuation in steel price is the demand/supply conditions, both within the region and in the world markets. This factor is considered out of the Company's control, and can produce an impact upon the Company's gross profit, following the compensation claim-back from raw material price increase.

Nevertheless, the Company has ordered the majority of its raw material from the subsidiaries of various carmakers and in Baht terms. Two main suppliers are Toyota Thusho (Thailand) Company Limited and YS Pund Company Limited, and the Company is able to alter the price of finished products if there occurs a change in the cost of raw material. The price of finished products can be altered every 6-8 months, and can be re-priced to claim for compensation in the event that steel price increases at a higher proportion than previously agreed. The compensation can be received in the form of debt increase or reduction, a normal practice in the automotive industry. This can, therefore, lessen the impact created as a result of fluctuation in the cost of raw material.

3. Financial Risk

3.1 Exchange Rate Risk

The Company's exposure to exchange rate risk is at a low level, since its major revenues come from domestic trading, and hence, are in Baht terms.

3.2 Interest Rate Risk

The Company is exposed to interest rate risk because of its 4,669 million baht loan at MLR. However, the Company is confident that fluctuations of market rates in the future will not present an impact upon its performance, and its D/E Ratio at present is 2.21 times which presents an acceptable risk level.

3.3 Loan Extension Risk

The company is exposed to loan extension risk because of its customers. However, the Company has a prudent policy in regards to loan extension. In addition, its major customers are multinational firms of substantial size with stable financial condition, and are financially supported by their parent companies abroad. As such, the Company does not see any possibility of damage incurred from debt collection from its major customers. Plus, the Company has already estimated an amount of allowance for doubtful accounts, by using the result of its management's evaluation on the debtors' financial competence, as per the outstanding amounts at the end of the accounting period.

4. Risk from changes in government policy

The Company's core business is manufacturing and trading auto parts, which can experience a direct impact, positive or negative, as a result of changes in custom duties or trade barrier. For example, changes in import duties for auto parts will impact the Company's ability to compete with foreign producers. This is apparent in the case of reduction in import duties for auto parts, as it will enhance foreign suppliers' ability to compete, both in terms of pricing and cost of production. As a result of AFTA (ASEAN Free Trade Area), under special tax privilege agreement (CEPT), between Thai government and other countries in ASEAN, import duties on auto parts manufactured in ASEAN countries have been reduced to 0-5 percent. This will encourage trade partners in ASEAN to take advantage of the tax benefit which will lead to an increase in trading activities among them. This measure may act as a support for the Company in terms of exports to its trading partners in ASEAN, but at the same time, foreign competitors are also capable of penetrating and competing in the domestic market. In preparation for a more competitive environment, the Company has a policy to develop its trademark and reduce its cost of production on a continual basis, for the purpose of competitive pricing.

5. Risk from having one primary management team

The Phanpanit family is the key management body, and is very crucial to the Company as the family is the founder of the Company and also highly experienced in the automotive industry for over 50 years. The family has also established good business relations with Toyota, the major customer of the Company. Throughout the years, the family has been the primary management group and responsible for bringing in new customers. Without the family, the Company may have to face a problem in retaining current customers, as well as finding new customers for the Company. However, the Phanpanit family is the major shareholder of the Company, with 43.30 percent of shares held - a high enough motive for them to continuously support the Company with its development and growth.

As such, the possibility that the Phanpanit family will leave the Company is rather unlikely. In addition, the family has been putting its utmost effort in creating a professional management team to support the Company's operation, i.e. setting up a marketing team in charge of domestic and international markets, in order to study the production plans and make contact with various car manufacturers and auto part designers, and eventually submit a proposal to them. This will enable the Company to remain in business far into the future. Moreover, the Phanpanit family has a powerful influence on the management. As a 43.30 percent shareholder, the family is considered a majority shareholder and is in control of almost every resolution passed by the meetings, except rules and regulations mandated by the Company that requires 3 out of 4 votes from the shareholders' meeting. As a result, other shareholders may not be able to congregate as many votes in order to verify or influence issues proposed by the major shareholders. However, when taking the management structure into consideration, which comprises the Board of Directors, Executive Committee, Audit Committee and Risk Management Committee, it is clear that the management teams are equipped with qualified personnel whose knowledge and skills are appropriate for business operation. Moreover, duty and responsibility for each and every committee has been stated in a clear and transparent manner, especially in relations to connected transactions where major shareholders, authorized personnel and individuals with conflicts of interest are not in possession of rights to vote in approval of such issues/transactions.

6. Risk from competition in auto part industry

The Company's core business is auto part manufacturing, with revenues generated by this portion of business accounting for more than 95 percent of total revenues in the years 2004, 2005 and 2006 combined. At the same time, there appears to be a large number of competitors in auto part industry, both local manufacturers and foreign manufacturers who have set up their production base in Thailand. However, the Company believes that it will be able to maintain its position as the leader in the auto part industry for the following reasons:

- The Company has in possession a complete and up-to-standard production process, from the production of tooling to press parts.
- Any new competitors in consideration of setting up a production base here will need a massive amount of fund as well as a substantial amount of time in preparation for its plant, machinery, and personnel.
- The Company has been receiving technical assistance from designers and developers of various carmakers, namely Sango Company Limited, Tenneco Automotive Company Limited, Inter Seiko Company Limited, and Shonan Unitec Company Limited.
- The company has had an opportunity to participate in IMV (Innovative International Multi-purpose Vehicle) project, arranged by its major customer, in establishing a research and development center in Asia-Pacific region for the purpose of development of personnel and passing on the technology regarding product design and development for the purpose of consistency with customers' needs and requirements.

● In the automotive industry, car manufacturers usually order their auto parts from a sole supplier throughout the part life for a specific car model, the process that usually lasts 4-7 years. There is also a high possibility that a car manufacturer will order similar parts from the same auto part manufacturer when there is a plan to launch a new car model, because of familiarity, as well as confidence in the Company's product quality, technical expertise and punctual delivery.

As such, it is considered difficult for other manufacturers to compete with the Company in terms of cost as well as penetration into the Company's current customer base.

7. Risk from quality control and unmet customers' standards

The process of car manufacturing is considered complicated, as it needs variety of parts from various auto part manufacturers. As such, quality of parts is one of the auto part manufacturer's major concerns, as it would produce a direct impact upon end consumers' safety as well as the image of the car manufacturers themselves. Below-standard auto parts may cause an extensive damage that will eventually produce an impact upon the manufacturer's financial status and reputation. As such, standards have been set and there is now a standardized quality control measure that applies to all auto part manufacturers.

The Company has always given priority to quality control as well as development and improvement of its production standards and quality. As apparent from the fact that the Company has adopted and applied the TS 16949 production standard and an ISO 14001 environmental management system in the production process, to guarantee production standards and increase its competitive potential, both in the domestic and international markets.

Legal Dispute

The Company is currently engaged in a legal dispute, in which the Company is a party in a case. The lawsuit or dispute remains inconclusive, which is likely to produce an impact upon the stock price of YNP as well as the Company's trustworthiness when submitting a credit request to financial institutions. The detail of the dispute is described below.

On August 29, 2006, the Company had entered an action against Bell Survey Company Limited with the Civil Court of Southern Bangkok, for its breach of contract and wrongful act, and claimed damages in the amount of 613,406,633.56 Baht (Six hundred and thirteen million, four hundred and six thousand, six hundred and thirty-three Baht, fifty-six satang), as a result of the following case. In 2005, the Company had shown an intention to purchase a plot of land of over 200 rais, adjoining Klong Mai-Bang Kwai road and separated from Bangpakong-Chachoengsao road, Tumbon Nong Jok, Amphur Bangpakong, Chachoengsao province, for the construction of its third plant. Since the Company was listed on the Stock Exchange of Thailand, it was imperative that the land purchase process was transparent, and that all related details were disclosed in entirety. As such, it was necessary that the Company commissioned an independent appraiser, certified by the Office of the Securities and Exchange Commission (SEC), to perform land valuation.

Bell Survey Company Limited ("Bell") was appointed as an independent appraiser approved by the SEC, and it had proposed a land valuation service to the Company at the rate of 85,000 Baht. The Company had agreed to hire Bell as an independent appraiser for this time. On October 31, 2005, Bell reported to the Company that the appraised value of the plot of land was an amount equivalent to 674,550,000 Baht. After learning of the land value appraised by Bell, the Company had contacted its broker in order to contact the land owner for the purpose of price negotiation, by using the appraised value as the basis for negotiation. The Company had placed its total trust in the land value appeared in the appraiser's report, as it was calculated by an expert in this field, and on the basis of the appraiser's theoretical and professional approach. As a result, the Company had entered into an agreement to purchase the plot of land at the price of 635,970,000 Baht. The total payment for the land was made by the Company on November 8, 2005 and the Company had entered into its bookkeeping that the land was an asset of the Company whose value was equivalent to the purchase price of 635,970,000 Baht. Then on April 25, 2006, Bell issued a letter to the Company, stating that the assumptions made by Bell in the calculation of the land were inappropriate, and in fact, the actual land value was only 434,760,000 Baht.

The fact that Bell had previously appraised the value of the land purchased by the Company to be 674,550,000 Baht was either by intention or an act of negligence on the part of Bell, and was a conduct that was not in conformity to the standard used by professional appraisers. The Company's trust in the formerly appraised value performed by Bell has caused damages on the Company's part, since the Company had used the appraised value as the basis for price negotiation with the land owner. This has caused the Company to purchase the plot of land at a higher than actual price, leading to the Company's accounting entry of an asset at a price lower than the actual price paid to the land owner by a significant amount of 201,210,000 Baht. The Company's auditor had thus, requested that the Company adjusted its accounting entry for the first quarter of 2006, ending March 31, 2006, by restating the 2005 financial statement to reflect the loss from impairment in an amount of 201,210,000 Baht, a request that required strict conformity by the Company. The accounting adjustment, resulting from negligence in land valuation conducted by Bell Survey Company Limited, had forced the Company to adjust its net profit at the end of 2005 substantially downward from 610,000,000 Baht to 406,000,000 Baht, which is considered damage that the defendant is held responsible in this case.

As such, Bell is being held responsible to compensate for the damage caused to the Company, in the amount of 201,000,000 Baht plus an interest at the rate of 7.5 per cent per annum. In addition, the adjustment made on the Company's accounting entry, as a result of Bell's act of negligence, has impaired the Company's reputation and trustworthiness in the eyes of its investors and shareholders. As such, the Company has requested an additional compensation for the damage in the amount of 400,000,000 Baht plus an interest at the rate of 7.5 per cent per annum, summing to a grand total of 613,406,633.56 Baht, which is considered the total claim from this case. This lawsuit is under trial process of the Civil Court of Southern Bangkok.

During the year 2005, there had been some connected transactions between the company, the subsidiaries, and the parties with potential conflicts of interest with detail as follow:

1. Normal Transactions

1) Walker Exhaust (Thailand) Company Limited (WETCO)

Related company a shareholder of 25% with shared Directors, namely Mr. Samphan Phanpanit and Mr. Palits Phanpanit.

Transactions	Value of Transactions (MB)	Details and Reasons	Pricing Policy
	Year 2006		
1.1) - Revenues from Sales and Services - Account Receivables	328.71 79.13	The company sells exhaust parts for ISUZU to WETCO through normal transacting practice	Market price and/or Agreed condition
1.2) - Others Revenues and Interest Income - Other Receivables	32.13 4.14	Rental and service income with WETCO under the agreement that WETCO rents the space for its office location and production plant, with the company agreeing to supply labor, service, tools, equipments, and machinery.	Market price and/or Agreed condition.
1.3) - Sales of Products, raw materials and services	1.21		

2) YS Pund Company Limited (YSP)

Related company a shareholder of 20.24% with shared Directors, namely Mr. Samphan Phanpanit and Mr. Palits Phanpanit

Transactions	Value of Transactions (MB)	Details and Reasons	Pricing Policy
	Year 2006		
2.1) - Revenues from Sales and Services - Account Receivables	1,509.79 267.36	The Company sells exhaust parts and other small auto parts for TOYOTA to YSP through normal transacting practice	Market price and/or Agreed condition
2.2) - Purchase of Products, raw materials and services - Account Payables - Others Payables	1,046.41 357.20 0.03	The Company purchased raw materials such as steel pipes for production of exhaust parts through normal transacting practice.	Market price and/or Agreed condition
2.3) - Other Revenues - Other Receivables	0.61 0.19	Rental income from renting space to USP to use as office location.	Market price and/or Agreed condition

3) Yarnapund Daiso (Thailand) Company Limited (YDT)

Related company a shareholder of 30% with shared Directors, namely Mr. Samphan Phanpanit and Mr. Palits Phanpanit.

Transactions	Value of Transactions (MB)	Details and Reasons	Pricing Policy
	Year 2006		
3.1) - Revenues from Sales and Services - Account Receivables	1.43 0.57	The subsidiaries sells Tooling for Automotive press parts through YDT	Market price and/or Agreed condition
3.2) - Purchase of raw materials and services - Account Payables	41.08 10.56	The company purchase EDP services and Tooling	Market price and/or Agreed condition

2. Special Transactions

1) YS Pund Company Limited (YSP)

Related company a shareholder of 20.24% with shared Directors, namely Mr. Samphan Phanpanit and Mr. Palits Phanpanit.

Transactions	Value of Transactions (MB)	Details and Reasons	Pricing Policy
	Year 2006		
1.1) - Additional investment	40.70	The Company was increasing in shareholder ratio for maintain as same as the last year.	At agreed price

Measures or Approval Procedure for Connected Transactions

In the case that connected transaction concerns parties with potential conflicts of interest, a proposal must be submitted to the Board of Directors' Meeting for further consideration and approval, plus the Audit Committee must be present at the Meeting to ensure that the process for connected transaction is fair, reasonable, and pricing policy is appropriately set by taking into consideration the utmost benefits to the company

Policy or Trend towards Potential connected Transactions

1. Normal Transactions

For normal business practice, the company had set certain rules and guidelines in line with normal transacting process, with reference to the price and conditions which deem appropriate, fair, reasonable, and auditable and proposed to the Audit Committee for further consideration and approval.

2. Special Transactions

As for special transactions, the Audit Committee will evaluate the rationale of the transactions and the appropriateness of the pricing condition.

In entering into any future connected transactions, the Board of Directors must be in compliance with the rules concerning securities and stock exchange, and the regulations, announcement, order, or Article of Association of The Stock Exchange of Thailand.

Future Projects

New Plant Construction Project (Plant #3) to Facilitate Core Customers' Expansion Plan

As a result of continuous growth in the automotive industry, as well as capacity expansion plan made by various car manufacturers, especially the Company's core customers, it is imperative that the Company increases its production capacity. This expansion, via a construction of a new plant (Plant #3) in Amphur Bangpakong (Baan Bodhi), Chachoengsao province, on a 217 rai, 2 ngan, 1 square wah extent of land, will serve to facilitate additional orders placed by the Company's customers. The location of the new plant is also within a close proximity to the core customers' new plants, as well as the Eastern Industrial Estate where several car manufacturers are located. The new plant will certainly prove to save both cost and time of transportation.

The capital expenditure for the construction of plant #3 is estimated at 2,500 million baht. The source of fund is the proceeds from private placement (PP), and long term loans provided by Thai Military Bank PCL.

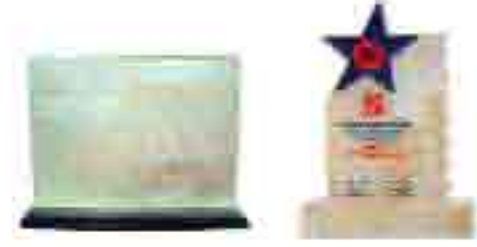
The Company started its construction of Plant #3 in the first quarter of 2006, and this new plant is expected to be completed and commence its commercial operation during mid-2009.

Social Activity and Awards

Awards

Best Quality Best Delivery Best Supply

Emerson Climate Technologies Emerson Climate Technologies - First class Supplier Award



20th QCC Competition 2006 from Thai Hino Co-Operation Club

2nd QA Improvement Activity 2006 from Thai Hino Co-Operation Club



TPS Activity 2006 from Toyota Co-Operation Club

TPS Group Leader Dojo Activity from Toyota Co-Operation Club



QA Improvement Activity Toyota Co-Operation Club

Corporate Social Responsibility



Yamapund organized "One Drop for a Friend" Activity

Yamapund Public Company Limited organized "One Drop for a Friend", a blood donation activity in which the Company's Executives and staff cooperatively participated. This blood-drive was organized to help disaster victims in need of blood, during blood shortage period. Mr. Samphan Phanpanit, Managing Director, and the Company's top Executives also provided snacks and beverages during the event, in supporting the activity carried out by National Blood Centre, Thai Red Cross Society.



Yamapund's Donation to "Dramaraksaniwesana" Project, Wat Phrabatnampu

Yamapund Public Company Limited and its subsidiaries organized another social activity on September 27, 2006, at Yamapund Public Company Limited (YNP2). The group of companies, led by Mrs. Chamlong Phanpanit, Chairman of the Board of Directors, Mr. Samphan Phanpanit, Chairman of the Executive Committee, and the Executives, presented food, necessities and financial contribution in the amount of 250,000 baht to Thanchaokhun Alongkot, the Abbot of Wat Phrabatnampu, Lopburi province, as a mean of support to the AIDS patients and the underprivileged of the "Dramaraksaniwesana" project.

Financial Status and Operating Results

1. Financial Statements

Auditor's Report

Consolidated Financial Statement for the year 2004

Auditor : Mr. Vichai Chaturanont, Certified Accountant, license no. 1431, AST Master Co., Ltd.

Summary of Auditor's Report : The auditor has performed an audit on the Company's financial statements and provided unconditional comments that the Company's financial statements represent an accurate perception of the financial status and operating results, in accordance with certified accounting standards.

Consolidated Financial Statement for the year 2005

Auditor : Mr. Vichai Chaturanont, Certified Accountant, license no. 1431, AST Master Co., Ltd.

Summary of Auditor's Report : The auditor has performed an audit on the Company's financial statements and provided unconditional comments that the Company's financial statements represent an accurate perception of the financial status and operating results, in accordance with certified accounting standards.

Consolidated Financial Statement for the year 2006

Auditor : Susan Eiamvanicha, Certified Accountant, license no. 4306, SP Audit Co., Ltd.

Summary of Auditor's Report : The auditor has performed an audit on the Company's financial statements and provided unconditional comments that the Company's consolidated financial statements and the Company only financial statements that present consolidated and company only financial status; consolidated and company only operating results; consolidated and company only net cash flow as at December 31, 2006 of Yarnapund Public Company Limited and subsidiaries, and Yarnapund Public Company Limited (Company only), represent an accurate perception, in accordance with certified accounting standards.

Summary of Financial Statements

Income Statement	2004		2005		2006	
	Consolidated		Consolidated		Consolidated	
Revenues from Sales and Services	3,525,735	100.00%	4,703,938	100.00%	4,936,239	100.00%
"Cost of Sales and Services"	3,231,796	91.66%	4,138,403	87.98%	4,341,767	87.96%
Gross Profit	293,939	8.34%	565,535	12.02%	594,472	12.04%
Selling and Administrative Expense	220,642	6.26%	238,197	5.06%	275,883	5.59%
Profit from Sales and Services	73,297	2.08%	327,338	6.96%	318,589	6.45%
Gains from Sales of Fixed Assets	214	0.01%	2,609	0.06%	290	0.01%
Other Revenues	112,634	3.19%	46,325	0.98%	50,970	1.03%
Negative Goodwill Recognized as Income	(30)	0.00%	(264)	-0.01%	0	0.00%
Loss from Impairment of Land Value	0	0.00%	(201,206)	-4.28%	(2,381)	-0.05%
Profit from Operation	186,115	5.28%	174,802	3.72%	367,468	7.44%
Equity in Net Income of Subsidiaries	0	0.00%	0	0.00%	0	0.00%
Equity in Net Income of Affiliates	23,597	0.67%	129,054	2.74%	132,767	2.69%
Earnings before Interest and Tax	209,711	5.95%	303,856	6.46%	500,235	10.13%
Interest Expense	162,983	4.62%	180,417	3.84%	334,475	6.78%
Income Tax	5,538	0.16%	61,532	1.31%	18,468	0.37%
Earnings after Interest and Tax	41,190	1.17%	61,907	1.32%	147,292	2.98%
Equity Income of Subsidiaries before Business Purchase	0	0.00%	0	0.00%	0	0.00%
Net Profit	41,190	1.17%	61,907	1.32%	147,292	2.98%

Unit: Thousand Baht

Balance Sheet	2004		2005		2006	
	Consolidated		Consolidated (Restated)		Consolidated	
Current Assets						
Cash and Cash Equivalents	609,557	7.91%	606,815	6.31%	246,511	2.30%
Account Receivables-net - Related Companies	274,007	3.55%	389,664	4.05%	377,058	3.52%
Account Receivables-net - Other Customers	697,357	9.05%	937,775	9.76%	749,071	6.99%
Short - term Loans to Related Companies	0	0.00%	0	0.00%	0	0.00%
Account Receivables from selling Land,Building,Equipment	165	0.00%	0	0.00%	0	0.00%
Inventory	581,447	7.54%	769,447	8.01%	1,242,634	11.60%
Other Current Assets	238,955	3.10%	245,300	2.55%	203,520	1.90%
Total Current Assets	2,401,489	31.15%	2,949,001	30.68%	2,818,794	26.31%
Pledged Deposits at Banks	2,870	0.04%	1,661	0.02%	1,114	0.01%
Investment in Subsidiaries,Affiliates,and Related Companies	222,060	2.88%	445,114	4.63%	589,899	5.51%
Land, Building, and Equipment - net	4,855,312	62.98%	5,939,913	61.80%	6,673,904	62.28%
Non-Tangible Assets	5,419	0.07%	9,711	0.10%	17,127	0.16%
Goodwill	264	0.00%	0	0.00%	0	0.00%
Deposit for Machinery Purchased	204,556	2.65%	258,398	2.69%	537,067	5.01%
Other Non - Current Assets	17,712	0.23%	8,074	0.08%	77,423	0.72%
Total Assets	7,709,683	100.00%	9,611,872	100.00%	10,715,328	100.00%
Current Liabilities						
Bank Overdraft and Loans	2,341,024	30.36%	2,154,822	22.42%	2,755,044	25.71%
Account Payable - Related Companies	222,609	2.89%	410,627	4.27%	367,801	3.43%
Account Payable - Other Companies	681,525	8.84%	764,133	7.95%	672,418	6.28%
Account Payable from Factoring	0	0.00%	0	0.00%	0	0.00%
Account Payable from Purchase of Land,Building,Equipment	94,079	1.22%	22,537	0.23%	36,098	0.00%
Long-term Loan due within 1 year	260,609	3.38%	611,349	6.36%	656,880	6.13%
Payable for Financial Lease due within 1 year	24,188	0.31%	29,578	0.31%	28,320	0.26%
Payable for Lease due within 1 year	15,036	0.20%	0	0.00%	0	0.00%
Short - term Loans from Related Companies/Parties	0	0.00%	0	0.00%	0	0.00%
Other Current Liabilities	86,665	1.12%	118,831	1.24%	100,202	1.28%
Total Current Liabilities	3,725,735	48.33%	4,111,877	42.78%	4,616,763	43.09%
Long - term Loan	1,695,317	21.99%	2,229,366	23.19%	2,725,757	25.44%
Liabilities under Financial Lease Agreement	18,184	0.24%	26,571	0.28%	29,356	0.27%
Liabilities under Lease Agreement	31,460	0.41%	4,857	0.05%	4,958	0.05%
Total Liabilities	5,470,696	70.96%	6,372,671	66.30%	7,376,835	68.84%
Paid-Up Capital / Share Capital	1,260,000	16.34%	1,600,000	16.65%	1,600,000	14.93%
Premium on Ordinary Shares	604,369	7.84%	1,230,397	12.80%	1,230,397	11.48%
Retained Earnings (Appropriated)						
- Legal Reserves	5,060	0.07%	18,259	0.19%	31,459	0.29%
- Others	1,000	0.01%	1,000	0.01%	1,000	0.01%
Retained Earnings (Unappropriated)	368,558	4.78%	389,545	4.05%	475,637	4.44%
Minority Interest	0	0.00%	0	0.00%	0	0.00%
Total Shareholder's Equity	2,238,986	29.04%	3,239,201	33.70%	3,338,493	31.16%
Total Liabilities and Shareholders' Equity	7,709,683	100.00%	9,611,872	100.00%	10,715,328	100.00%

Financial Ratio	2004 Consolidated	2005 Consolidated (Restated)	2006 Consolidated
Liquidity Ratio			
Liquidity Ratio (times)	0.64	0.72	0.61
Quick Ratio (times)	0.42	0.53	0.34
Operating Cash Flow Ratio (times)	na	na	na
Account Receivable Turnover (times)	4.37	4.09	4.02
Collection Period (days)	82.34	89.19	90.71
Inventory Turnover (times)	5.57	6.13	4.32
Sales Turnover (days)	64.65	59.57	84.57
Account Payable Turnover (days)	3.82	3.98	3.67
Payable Period (days)	94.17	91.68	99.37
Profitability Ratio			
Gross Margins (%)	8.34%	12.02%	12.04%
Operating Profit Margins (%)	5.28%	3.72%	7.44%
Net Profit Margins (%)	1.17%	1.32%	2.98%
Return on Equity (%)	1.84%	1.91%	4.41%
Efficiency Ratio			
Return on Assets	0.62%	0.64%	1.37%
Return on Fixed Assets	10.84%	0.93%	1.87%
Asset Turnover	0.53	0.49	0.46
Financial Policy Ratio			
Debt to Equity Ratio (%)	2.44	1.97	2.21
Debt Service Coverage Ratio (%)	1.29	1.68	1.50
Per Share Analysis*			
Number of Shares (thousand shares)	252,000	320,000	320,000
Par Value Per Share (Baht)	5.00*	5.00	5.00
Earnings Per Share (Baht)	0.16	0.22**	0.46
P/E	na	na	na
Growth Ratio			
Total Assets (%)	37.55%	24.67%	11.48%
Total Liabilities (%)	35.42%	16.49%	15.76%
Total Sales (%)	16.93%	33.42%	4.94%
Cost of Good Sold (%)	24.84%	28.05%	4.91%
Sales and Administrative Expense (%)	-5.10%	-8.25%	20.86%
Net Profits (%)	-37.53%	50.30%	137.92%

Note

* In the case of adjustment of par value down to 5 baht per share, as per the resolution of the Extraordinary Shareholders' Meeting No.2/2004

** Earnings Per Share in 2005, calculated by dividing Net Profits with weighted Average Number of Shares

2. Analyses of Operating Results and Financial Status

2.1 Operating Results

2005 and 2006 marked the years of significant developments for Yarnapund Public Company Limited. The Company had offered additional 68 million shares through private placement in 2005, which has led to an increase in its registered and paid-up capital to 1,600 million baht. At the end of 2006, the Company had also begun the construction of its third plant, in order to expand its production capacity in supporting its core customers' expansion and growth. The operating results of Yarnapund Public Company Limited and subsidiaries can be summarized as follows:

Revenues

Revenues from Sales and Services of the Company and subsidiaries increased from 4,704 million baht in 2005 to 4,936 million baht in 2006, an increase of 232 million baht or 4.94 percent growth. This is a result of a continuous increase in auto exports in 2006, especially Toyota brand which is also the Company's core customer, as well as carmakers' trust in the Company. However, when considering revenues on a quarterly basis, it is apparent that revenues from sales and services indicate a continuously increasing trend, starting from year 2004 onward, when total sales were only 3,526 million baht. This is a result of Toyota's continuous launch of new car models, which has enabled total sales in 2006 to reach such a high level as 4,936 million baht. The figure indicates that trend towards growth in auto part industry as well as growth in the Company's revenues will further be sustained.

Revenue Structure for the Company and subsidiaries can be classified by line of business as follows:

Product	Year 2004	Year 2005	Year 2006
Exhaust	50.68%	649.70%	44.90%
ABC Pedal Set	5.39%	11.18%	11.25%
Press Part	33.27%	35.37%	38.78%
Tooling	10.12%	3.74%	5.07%
Total	100%	100%	100.00%

● Revenues from Sales of Exhaust

The Company and subsidiaries' revenues from sales of Exhaust Parts and Exhaust Systems in 2006 declined by 121 million baht or 5.18 percent from 2005, due to a decline in purchase order from other carmakers, except for Toyota's purchase order which continues at full force. The reason behind the decline is that, other carmakers had plans to launch new car models. Revenues from sales of Exhaust Parts and Exhaust Systems for the Company and subsidiaries, therefore, accounted for 44.90 percent of total sales in 2006.

● Revenues from Sales of Accelerators, Brakes, and Clutches (ABC)

Revenues from Sales of ABC-SET for the Company and subsidiaries in 2006 increased by 29 million baht, or 5.52 percent from 2005, following an increase in purchase orders from carmakers other than Toyota. As a result, total sales of ABC-SET in percentage term accounted for 11.25 percent of total sales in 2006.

● Revenues from Sales of Other Press Parts

Revenues from Sales of Other Press Parts for the Company and subsidiaries in 2006 increased by 250 million baht, or 15.03 percent from Press Part Sales in 2005, with the main reason being an increase in production capacity of Press Parts for Toyota Hilux Vigo for core customer, Toyota. In addition, this model has been exported worldwide. Therefore, revenues from sales of other press parts accounted for 38.78 percent of total sales in 2006.

● Revenues from Sales of Tooling

Revenues from Sales of Tooling in 2006 increased by 74 million baht, or 42.05 percent of tooling sales in 2005, with the main reason being the introduction of new car models in 2006, namely Toyota Camry and Honda CRV, whose tooling value was quite high. Revenues from sales of tooling, therefore, accounted for 5.07 percent of total sales in 2006.

Cost of Goods Sold

Cost of Goods Sold in 2005 and 2006 for the Company and subsidiaries were 4,138 million baht and 4,342 million baht, respectively. An increase was largely consistent with an increase in revenues. The analysis of cost of goods sold as a percentage of sales for the Company and subsidiaries indicated the rate of 87.98% in 2005 and 87.96% in 2006, a 203 million baht or 4.91 percent decline.

The main reasons behind the decline in the said percentage in 2006 are:

- (1) Likelihood of stable cost of raw material in 2006 Cost of raw material (steel) was on the rise, starting from the beginning of 2005 until mid - 2005, before the declining trend crept in and stabilized in 2006. The condition of stabilized steel price had, therefore, caused the cost of goods sold as a percentage of sales in 2006 to lower as well.
- (2) Increasing production capacity The second plant has already been operating almost at its full capacity. The Company's production capacity is, therefore, sufficient to accommodate the entire purchase orders from various carmakers, especially Toyota, whose order for auto parts for Toyota Hilux Vigo is still on the rise. The order has been increasing ever since the launch of this model in 2005 and it is likely that the purchase order will increase even further. Thailand is the production base for this particular car model, for the purpose of export to over 100 countries around the world, in accordance with Toyota's IMV Project. As such, substantial increase in production capacity in the year 2006 was able to compensate for increasing expenses on other production, at a higher rate of compensation than 2005 where purchase order was lower. Plus, the Company now has a policy to lower its cost of production on a continuous basis.

Selling and Administrative Expense

Selling and Administrative Expense for the Company and subsidiaries slightly increased from 202 million baht in 2005 to 245 million baht in 2006, an increase of 42 million baht, or 4.3 percent and 4.96 percent as a percentage of revenues in 2005 and 2006 respectively. The reason being an increase in salary and bonus expense, but no higher than 5 percent when compared with total sales, which is still considered satisfactory.

Interest Expense

Interest Expense for the Company and subsidiaries in 2005 and 2006 were 180 million baht and 334 million baht respectively. The 85.39 percent increase was consistent with an increase in the amount of loans for the purpose of capacity expansion (the construction of plant #3). As a result, interest expense in 2006 was higher.

Profit

The Company and subsidiaries' Net Profits amounted to 147.23 million baht, an increase of 137.8 percent from 2005 when net profit was 61.91 million baht (restated). However, when considering net profit in the 2005 income statement before restated, net profit in 2006 is shown to have declined by 115.88 million baht. This is a result of a restated Q1/2006 statement, to reflect impairment of land, building and equipment value as at December 31, 2005 in the amount of 201.21 million baht, which has led to a decline in net profit for the Company and subsidiaries by the amount of 115.88 million baht. The reason behind the decline in net profit in 2006, in comparison to that of 2005 (before restated), is higher interest expense from an increase in loans for the construction of a new plant to accommodate an capacity expansion.

2.2 Financial Status

Assets

At the end of 2006, the Company and its subsidiaries had in possession 10,715 million baht worth of assets, an increase of 1,103 million baht from 2005 or 11.48 percent growth. The main reason for this increase is additional land, building, and equipment; deposits on machineries; and inventory which altogether amounted to 1,519 million baht. This is a result of continuous investment in buildings, structures and machineries since the year 2004, for production capacity of plant #2, as well as investment in plant #3 for further capacity expansion in order to accommodate additional orders from core customers in the future.

Liabilities

At the end of 2006, the Company's total liabilities amounted to 7,376.84 million baht, an increase of 1,004.17 million baht or 15.76 percent, compared to 6,372.67 million baht at the end of 2005. The main reason for this is an increase in 600.22 million baht in short-term loans and 496.39 million baht in long-term loans. An increase in long-term loans is the result of its investment in the construction of plant #3, for the expansion of its production capacity.

Shareholders' Equity

At the end of 2006, total shareholders' equity was 3,338.49 million baht, an increase of 99.29 million baht of 3.07 percent, in comparing to 3,239.20 million baht at the end of 2005. This is a result of the Company's 2006 profits from operation of amount 147 million baht; allocation of legal reserves for the year 2006 in the amount of 31.46 million baht; and dividend pay-out of amount 48.00 million baht.

Liquidity

Transaction	Unit: Million Baht	
	Year 2005 (Restated)	Year 2006
Operating profit before changes in working capital	621.71	662.34
- Net Cash flow from Operations	385.28	230.33
- Net Cash Flow from Investment	(1,976.61)	(1,647.62)
- Net Cash Flow from Financing	1,588.59	1,056.98
Net Change in Cash Flow	(2.74)	(360.30)

The Company's net cash flow in 2006 was 230 million baht, with net cash flow from investment showing a negative 1,647 million baht, as a result of the purchase of land, building, equipment and machineries for the construction of plant #2 that had continued on from year 2005, as well as the construction of plant #3. However, net cash flow from financing was 1,057 million baht, with the source of funding being short-term borrowings and long-term borrowings. Net cash flow as at December 31, 2006 indicated a decrease of 360 million baht, leaving cash-on-hand in the amount of 246.5 million baht.

The average liquidity ratio for the Company and its subsidiaries in 2005 was approximately 0.7 times, and approximately 0.6 times in 2006. The Company's liquidity ratio is likely to decline but remain at a satisfactory level. The reason for being this low is because the Company still keeps expanding its production capacity on a continuous basis, to accommodate the ever increasing demand from carmakers, and hence, increasing need for working capital.

Adequacy of Capital Structure

The Company's debt to equity ratio was 2.21 times for the year 2006, an increase from 1.97 times in 2005. This is a result of loan increase in 2006 to invest in building, structure and machineries to use in the production process of plant #2, a continued procedure from 2005, as well as an investment in the construction of plant #3 to expand the Company's production capacity to accommodate additional purchase orders from carmakers and core customer in the future. This has, therefore, resulted in an increase in debt to equity ratio in 2006.

When considering total debt at the end of 2006, the Company and subsidiaries' consolidated debt amounted to 7,377 million baht, an increase of 1,004 million baht from 2005. The main reason is a 600 million baht increase in short-term loans and 496 million baht increase in long-term loans from financial institutions; and also a 134 million baht decrease in account payable.

The Company and the subsidiaries' source of capital for operations include short-term loans in the form of Promissory Notes, Bills of Exchange, short-term loans, and long-term loans from financial institutions. The Company and subsidiaries' loans were guaranteed by pledge of land with structures, and machineries as collateral, as well as guarantees from the Company's Directors. The interest rates at financial institutions are mostly float rates, and therefore, the Company may be subject to risk from increasing operating cost, should future interest rates rise. However, most interest rates received from financial institutions are Minimum Lending Rates (MLR) or lower, as financial institutions have confidence in the Company, plus the Company's loans are all secured credit facilities. Moreover, the Company and its subsidiaries do not have debts in foreign currencies, and hence, are not prone to risk from fluctuations of exchange rates.

2.3 Auditor's Remuneration for an Accounting Period ending 31 December 2006

Audit Fee

Transaction	Payer	Auditor	Audit Fee
1	Yarnapund Public Company Limited	Miss Susan Eiamvanicha	700,000
2	YNP Engineering Company Limited	SP Audit Company Limited	340,000
3	Yarnapund International Company Limited		290,000
Total Audit Fee			1,330,000

YARNAPUND PUBLIC COMPANY LIMITED AND SUBSIDIARIES
FINANCIAL STATEMENTS AND
REPORT OF CERTIFIED PUBLIC ACCOUNTANT
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
EXPRESSED IN THAI BAHT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Yarnapund Public Company Limited

I have audited the accompanying consolidated and company balance sheets as of December 31, 2006 and the related consolidated and company statements of income, changes in shareholders' equity and cash flows for the year then ended of Yarnapund Public Company Limited and its subsidiaries, and of Yarnapund Public Company Limited, respectively. The Company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits. I did not audit the financial statements of two associated companies for the year ended 31 December 2006, the investment in which were reflected in the accompanying financial statements using the equity method of accounting. The balance of investments in the said associated companies as at 31 December 2006, amounting to Baht 527.31 million, constituted 4.92% of total assets in the consolidated balance sheet and 5.41% of total assets in the company balance sheet, and the share of profit from investments in associated companies, which were included in the statements of income for the year ended 31 December 2006, amounting to Baht 114.28 million, constituted 77.59% of net profit in the consolidated and company statement of income. The financial statements of the said associated companies were audited by other auditor whose reports have been furnished to me. My opinion, insofar as it relates to the amounts included for the said associated companies, is based solely on the reports of the other auditor. Moreover, the consolidated and company financial statements for the year ended on December 31, 2005 of Yarnapund Public Company Limited and its subsidiaries and of Yarnapund Public Company Limited were audited by other auditor who expressed thereon an unqualified report dated on March 1, 2006 except as mentioned in the note of financial statements no. 24, such financial statements have been retroactively adjusted in respect of impairment loss for land. I have audit such adjusted transactions and found that such adjusted transactions have been correctly and appropriately recorded.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion

In my opinion, based on my audit and the reports of the other auditor as discussed in the first paragraph, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial position as of December 31, 2006, and the results of their operations and cash flows for the year then ended of Yarnapund Public Company Limited and its subsidiaries, and of Yarnapund Public Company Limited, respectively in accordance with generally accepted accounting principles.

SP Audit Company Limited

(Miss Susan Eiamvanicha)

Certified Public Accountant (Thailand) No. 4306

Bangkok

February 28, 2007.

YARNAPUND PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS

As at December 31, 2006 and 2005

(Unit : Baht)					
		Consolidated		Company	
	Notes	2006	2005 (Restated)	2006	2005 (Restated)
ASSETS					
Current Assets					
Cash and cash equivalents	6	246,511,265	606,814,793	242,416,928	598,737,090
Trade accounts receivable - related parties	5,7	377,058,252	389,663,992	460,439,473	569,022,664
Trade accounts receivable - third parties, net	8	749,070,863	937,774,788	458,356,800	605,375,215
Short-term loans to related parties	5	-	-	25,000,000	-
Inventories, net	9	1,242,633,582	769,447,162	1,025,399,364	542,688,320
Advance payment for purchase of goods - related parties	5	-	3,350,000	15,029,866	44,257,290
Advance payment for purchase of goods - third parties		26,971,091	37,528,492	26,971,091	33,577,184
Accounts receivable - Revenue Department		143,506,343	174,231,432	121,035,620	138,166,377
Other current assets	10	33,042,937	30,190,520	12,285,898	20,716,311
Total Current Assets		2,818,794,333	2,949,001,179	2,386,935,040	2,552,540,451
Non-Current Assets					
Fixed deposits pledged as collateral	11	1,113,944	1,661,018	-	560,800
Investments in subsidiaries, associates and related companies	12	589,898,619	445,113,921	1,220,720,576	1,070,186,100
Property, plant and equipment, net	13,24	6,673,903,732	5,906,748,845	5,502,275,048	4,807,439,382
Land not used for operation	14	31,941,000	33,164,369	31,941,000	33,164,369
Deposits for purchase of machineries		537,067,264	258,398,226	537,067,264	258,398,226
Intangible assets, net	15	17,127,153	9,710,942	14,722,180	5,840,487
Other non-current assets	16	45,482,103	8,074,308	44,721,023	7,102,225
Total Non-Current Assets		7,896,533,815	6,662,871,629	7,351,447,091	6,182,691,589
TOTAL ASSETS		10,715,328,148	9,611,872,808	9,738,382,131	8,735,232,040

Director

(Mr.Samphan Phanpanit)

Director

(Mr.Palits Phanpanit)

Notes to financial statements are an integral part of these financial statements

YARNAPUND PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS

As at December 31, 2006 and 2005

(Unit : Baht)					
	Notes	Consolidated		Company	
		2006	2005 (Restated)	2006	2005 (Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Bank overdrafts and short-term loans from					
financial institutions	17	2,755,043,521	2,154,821,886	2,355,500,000	1,855,674,968
Trade accounts payable - related parties	5	367,801,029	410,627,259	422,562,246	471,198,747
Trade accounts payable - third parties		672,418,300	764,133,518	595,576,819	676,586,042
Payable from fixed asset acquisition		36,098,822	22,536,977	30,899,118	20,829,616
Current portion of obligation under finance lease	19	28,319,985	29,578,194	16,802,675	19,764,130
Current portion of long-term loans					
from financial institutions	20	656,880,000	611,348,761	577,680,000	532,700,662
Other current liabilities	18	100,202,081	118,830,943	69,191,409	80,592,832
Total Current Liabilities		4,616,763,738	4,111,877,538	4,068,212,267	3,657,346,997
Non-Current Liabilities					
Obligation under finance lease, net	19	29,356,297	26,570,919	13,535,601	17,292,583
Long-term loans from financial institutions, net	20	2,725,757,472	2,229,366,149	2,313,183,622	1,816,534,258
Other non-current liabilities		4,957,571	4,857,243	4,957,571	4,857,243
Total Non-Current Liabilities		2,760,071,340	2,260,794,311	2,331,676,794	1,838,684,084
TOTAL LIABILITIES		7,376,835,078	6,372,671,849	6,399,889,061	5,496,031,081

Director

(Mr.Samphan Phanpanit)

Director

(Mr.Palits Phanpanit)

Notes to financial statements are an integral part of these financial statements

YARNAPUND PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS

As at December 31, 2006 and 2005

(Unit : Baht)					
	Notes	Consolidated		Company	
		2006	2005 (Restated)	2006	2005 (Restated)
Shareholders' Equity					
Share Capital	21				
Authorised share capital					
320,000,000 ordinary shares of Baht 5.00 each		1,600,000,000	1,600,000,000	1,600,000,000	1,600,000,000
Issued and paid up share capital					
320,000,000 ordinary shares of Baht 5.00 each		1,600,000,000	1,600,000,000	1,600,000,000	1,600,000,000
Premium on share capital	21	1,230,396,489	1,230,396,489	1,230,396,489	1,230,396,489
Retained earnings					
Appropriated					
Legal reserve	22	31,459,515	18,259,515	31,459,515	18,259,515
Other reserve		1,000,000	1,000,000	1,000,000	1,000,000
Unappropriated		475,637,066	389,544,955	475,637,066	389,544,955
Total Shareholders' Equity		3,338,493,070	3,239,200,959	3,338,493,070	3,239,200,959
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		10,715,328,148	9,611,872,808	9,738,382,131	8,735,232,040

Director

(Mr.Samphan Phanpanit)

Director

(Mr.Palits Phanpanit)

Notes to financial statements are an integral part of these financial statements

YARNAPUND PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF INCOME

For the year ended on December 31, 2006 and 2005

(Unit : Baht)					
	Notes	Consolidated		Company	
		2006	2005 (Restated)	2006	2005 (Restated)
Sales of goods and services		4,936,239,205	4,703,938,390	4,592,470,100	4,447,943,755
Cost of sales and services		4,341,767,048	4,138,403,313	4,128,261,919	4,008,997,393
Gross profit		594,472,157	565,535,077	464,208,181	438,946,362
Selling and administrative expenses		244,666,676	202,441,291	183,662,197	150,413,394
Profit from sales and services		349,805,481	363,093,786	280,545,984	288,532,968
Other income	23	50,969,797	40,722,127	53,217,354	44,582,393
Additional revenues charged to adjust the sale of prior year	5.2	-	5,602,523	-	5,602,523
Profit from sale of property, plant and equipment		290,038	2,609,457	116,721	2,203,430
Goodwill amortisation		-	(264,114)	-	-
Loss from impairment of land	24	(2,381,369)	(201,206,486)	(2,381,369)	(201,206,486)
Director remuneration	25	(31,215,500)	(35,755,400)	(25,660,500)	(23,724,900)
Operating profit	26	367,468,447	174,801,893	305,838,190	115,989,928
Share of net profit in investment record by the equity method		132,766,598	129,053,833	138,516,376	145,250,489
Profit before interest expenses and income tax		500,235,045	303,855,726	444,354,566	261,240,417
Interest expenses		(334,475,159)	(180,416,476)	(283,651,532)	(145,097,316)
Income tax		(18,467,775)	(61,532,143)	(13,410,923)	(54,235,994)
Net profit		147,292,111	61,907,107	147,292,111	61,907,107
Basic earnings per share		0.46	0.22	0.46	0.22
Weighted average number of share (shares)		320,000,000	281,063,014	320,000,000	281,063,014

Director

(Mr.Samphan Phanpanit)

Director

(Mr.Palits Phanpanit)

Notes to financial statements are an integral part of these financial statements

YARNAPUND PUBLIC COMPANY LIMITED AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 For the year ended on December 31, 2006 and 2005

							(Unit : Baht)
	Notes	Issued and paid up share capital	Premium on share capital	Retained earnings			Total
				Appropriated		Unappropriated	
				Legal reserve	Others		
Balance as at January 1, 2005		1,260,000,000	604,368,989	5,059,515	1,000,000	368,557,848	2,238,986,352
Increase in share capital	21	340,000,000	626,027,500	-	-	-	966,027,500
Appropriation for legal reserve in the period	22	-	-	13,200,000	-	(13,200,000)	-
Dividend paid	27	-	-	-	-	(27,720,000)	(27,720,000)
Net profit for the period (as restated)		-	-	-	-	61,907,107	61,907,107
Balance as at December 31, 2005 (as restated)	24	1,600,000,000	1,230,396,489	18,259,515	1,000,000	389,544,955	3,239,200,959
Appropriation for legal reserve in the period	22	-	-	13,200,000	-	(13,200,000)	-
Dividend paid	27	-	-	-	-	(48,000,000)	(48,000,000)
Net profit for the period		-	-	-	-	147,292,111	147,292,111
Balance as at December 31, 2006		1,600,000,000	1,230,396,489	31,459,515	1,000,000	475,637,066	3,338,493,070

 Director
 (Mr.Samphan Phanpanit)

 Director
 (Mr.Palits Phanpanit)

Notes to financial statements are an integral part of these financial statements

YARNAPUND PUBLIC COMPANY LIMITED AND SUBSIDIARIES
 COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended on December 31, 2006 and 2005

(Unit : Baht)							
	Notes	Issued and paid up share capital	Premium on share capital	Retained earnings			Total
				Appropriated		Unappropriated	
				Legal reserve	Others		
Balance as at January 1, 2005		1,260,000,000	604,368,989	5,059,515	1,000,000	368,557,848	2,238,986,352
Increase in share capital	21	340,000,000	626,027,500	-	-	-	966,027,500
Appropriation for legal reserve in the period	22	-	-	13,200,000	-	(13,200,000)	-
Dividend paid	27	-	-	-	-	(27,720,000)	(27,720,000)
Net profit for the period (as restated)		-	-	-	-	61,907,107	61,907,107
Balance as at December 31, 2005 (as restated)	24	1,600,000,000	1,230,396,489	18,259,515	1,000,000	389,544,955	3,239,200,959
Appropriation for legal reserve in the period	22	-	-	13,200,000	-	(13,200,000)	-
Dividend paid	27	-	-	-	-	(48,000,000)	(48,000,000)
Net profit for the period		-	-	-	-	147,292,111	147,292,111
Balance as at December 31, 2006		1,600,000,000	1,230,396,489	31,459,515	1,000,000	475,637,066	3,338,493,070

 Director
 (Mr.Samphan Phanpanit)

 Director
 (Mr.Palits Phanpanit)

Notes to financial statements are an integral part of these financial statements

YARNAPUND PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

For the year ended on December 31, 2006 and 2005

(Unit : Baht)					
	Notes	Consolidated		Company	
		2006	2005 (Restated)	2006	2005 (Restated)
Cash Flow from Operating Activities					
Net profit		147,292,111	61,907,107	147,292,111	61,907,107
Adjustments to reconcile net profit for cash received (used) from operations					
Doubtful debt		1,163,237	601,730	165,278	70,835
Written off unrefundable import duties		6,646,744	-	6,646,744	-
Loss from diminution of inventories (reverse)		529,657	(9,634,458)	-	(3,925,416)
Share of net profit in investment record by the equity method		(132,766,598)	(129,053,833)	(138,516,376)	(145,250,489)
Amortisation of goodwill		-	264,114	-	-
Depreciation		632,342,887	497,482,561	533,359,592	403,563,627
Loss from impairment of land		2,381,369	201,206,486	2,381,369	201,206,486
Profit from sale of property, plant and equipment		(290,038)	(2,609,457)	(116,721)	(2,203,430)
Amortisation of intangible assets and deferred expenses		5,044,850	1,542,472	3,264,254	434,719
Profit from operation before changes in operating assets and liabilities		662,344,219	621,706,722	554,476,251	515,803,439
(Increase)decrease in trade accounts receivable - related parties		12,605,740	(115,657,016)	108,583,191	(196,291,825)
(Increase)decrease in trade accounts receivable - third parties		187,705,967	(241,019,576)	147,018,415	(108,692,128)
(Increase)decrease in inventories		(473,716,077)	(178,365,350)	(482,711,044)	(157,281,474)
(Increase)decrease in advance payment for purchasing of goods from related parties		3,350,000	(3,350,000)	29,227,424	(3,098,294)
(Increase)decrease in advance payment for purchasing of goods from third parties		10,557,401	(24,934,022)	6,606,093	(27,658,494)
(Increase)decrease in accounts receivable - Revenue Department		(9,920,112)	6,532,615	(23,514,444)	(305,145)
(Increase)decrease in other current assets		(9,524,040)	12,719,001	1,758,790	15,375,512
Increase(decrease) in trade accounts payable - related parties		(42,826,230)	188,018,137	(48,636,501)	191,539,887
Increase(decrease) in trade accounts payable - third parties		(91,715,218)	82,608,507	(81,009,223)	90,444,061
Increase(decrease) in other current liabilities		(18,628,862)	37,023,182	(11,401,423)	22,780,378
Increase(decrease) in other non-current liabilities		100,328	-	100,328	-
Net Cash Provided (Used) from Operating Activities		230,333,116	385,282,200	200,497,857	342,615,917

Director

(Mr.Samphan Phanpanit)

Director

(Mr.Palits Phanpanit)

Notes to financial statements are an integral part of these financial statements

YARNAPUND PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

For the year ended on December 31, 2006 and 2005

(Unit : Baht)					
	Notes	Consolidated		Company	
		2006	2005 (Restated)	2006	2005 (Restated)
Cash Flow from Investing Activities					
Increase in short - term loans to related parties		-	-	(25,000,000)	-
Decrease in short - term loans to related parties		-	-	-	18,500,000
(Increase)decrease in fixed deposits pledged as collateral		547,074	1,208,897	560,800	-
Cash paid for purchase of shares in associate		(40,700,000)	(94,000,000)	(40,700,000)	(94,000,000)
Dividend received		28,681,900	-	28,681,900	-
Cash paid for purchase of property, plant and equipment		(1,373,562,190)	(1,770,065,323)	(1,215,059,202)	(1,526,065,084)
Increase(decrease) in payable from fixed asset acquisition		13,561,845	(71,541,765)	10,069,502	(71,880,869)
Cash paid for purchase of intangible assets		(10,341,063)	(10,250,060)	(10,025,950)	(6,101,740)
Proceed from disposal of property, plant and equipment		11,882,872	9,507,988	4,730,431	23,567,276
(Increase)decrease in deposit for purchasing of machineries		(278,729,438)	(44,104,564)	(278,729,438)	(92,581,582)
(Increase)decrease in other non-current assets		1,037,408	2,630,145	826,407	2,630,145
Net Cash Provided (Used) from Investing Activities		(1,647,621,592)	(1,976,614,682)	(1,524,645,550)	(1,745,931,854)
Cash Flow from Financing Activities					
Increase (Decrease) in bank overdrafts and short-term loans from financial institution		1,080,221,635	113,797,792	979,825,032	98,026,122
Repayment of obligation under finance lease		(37,159,249)	(48,304,969)	(25,626,203)	(29,110,201)
Proceed from long-term loans from financial institutions		1,130,793,888	857,046,059	969,954,270	654,046,059
Repayment of long-term loans from financial institutions		(1,068,871,326)	(272,256,584)	(908,325,568)	(213,205,255)
Proceed from issue of ordinary shares		-	966,027,500	-	966,027,500
Dividend paid		(48,000,000)	(27,720,000)	(48,000,000)	(27,720,000)
Net Cash Provided (Used) from Financing Activities		1,056,984,948	1,588,589,798	967,827,531	1,448,064,225
Cash and Cash Equivalent Increase(Decrease)-Net		(360,303,528)	(2,742,684)	(356,320,162)	44,748,288
Cash and Cash Equivalent at the Beginning of the Period		606,814,793	609,557,477	598,737,090	553,988,802
Cash and Cash Equivalent at the End of the Period	6	246,511,265	606,814,793	242,416,928	598,737,090

Director

(Mr.Samphan Phanpanit)

Director

(Mr.Palits Phanpanit)

Notes to financial statements are an integral part of these financial statements

YARNAPUND PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

For the year ended on December 31, 2006 and 2005

(Unit : Baht)					
	Notes	Consolidated		Company	
		2006	2005 (Restated)	2006	2005 (Restated)
Supplemental cash flow statement information					
1. Cash payment during the period :					
Interest expenses		330,147,232	225,072,585	283,007,707	184,192,809
Income tax		51,116,803	37,512,430	32,188,547	31,654,555
2. Significant noncash transaction					
Property acquired under finance lease		38,686,418	15,585,178	18,907,766	12,854,103
The Company have been debt offsetting between trading account payable-related parties and trading account receivable-related parties		1,253,159,749	-	1,253,159,749	-
Transfer from short-term loans from financial institution to long-term loans from financial institutions		480,000,000	-	480,000,000	-

Director

(Mr.Samphan Phanpanit)

Director

(Mr.Palits Phanpanit)

Notes to financial statements are an integral part of these financial statements

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

1. General information

Yarnapund Public Company Limited ("the Company") is a public limited company and is incorporated in Thailand. The Company is listed on the Stock Exchange of Thailand. The address of the Company's registered office is 42 Sukumwit 81 Road, Bangchak, Prakanong, Bangkok.

The principal activities of the Company and subsidiary companies ("the Group") involve manufacture exhaust system and press parts and design and manufacture tooling. As at December 31, 2006 and 2005, the Company and subsidiary companies have the number of staff and staff costs as follow;

	Consolidated		Company	
	2006	2005	2006	2005
Average number of staff (Person)	2,084	2,186	1,561	1,678
Staff Costs (Million Baht)	490.52	443.07	348.47	336.60

2. Basis of preparation of financial statements

The consolidated and company financial statements are presented in Thai language and Thai Baht, and in conformity with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535 (or 1992).

The consolidated and company financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The accounting policies used in the preparation of the consolidated and company financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2005.

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

However, on 11 October 2006, the Federation of Accounting Professions issued the Notification No. 26/2549 regarding Accounting Standard No. 44 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" (Amendment No. 1), under which investments in subsidiaries, jointly controlled entities and associates are to be presented in separate financial statements under the cost method rather than the equity method. Entities which are not ready to adopt the cost method in 2006 can continue to use the equity method through the end of 2006 and adopt the cost method as from 1 January 2007.

The above-mentioned notification was announced in the Royal Gazette and became effective on 30 October 2006.

The preparation of financial statements in conformity with Thai Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Actual results may differ from those estimates.

For the convenience of readers, an English language translation of the consolidated and company financial statements has been prepared from the Thai language financial statements which are issued for domestic reporting purposes.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

3. Principles of consolidation financial statements

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies ("the Group"). Subsidiaries, which are those entities in which the Company has power to govern the financial and operating policies, are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Company and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill.

Related party transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Company.

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

The consolidated financial statements for year ended on December 31, 2006 and 2005 have been prepared by including the financial statements of Yarnapund Public Company Limited and its subsidiary after eliminating the significant related party balances and transactions. The Company holds shares at the percentage of:

Name of subsidiary companies	Nature of business	Country of Incorporation	Percentage of shareholding	
			2006	2005
YNP Engineering Company Limited	Design and manufacture Tooling	Thailand	100	100
Yarnapund International Company Limited	Manufacture exhaust system and press parts	Thailand	100	100

The financial statements of the subsidiaries and associated companies which are included in and used as the basis of preparation of the consolidated financial statements and recording the investments by the equity method in the consolidated financial statements and the Company's financial statements, have been audited by the Company's auditor except for the financial statements of 2 associated companies which have been audited by other auditors:

Financial information audited by auditors other than the Company's auditor:

	(Unit : Million Baht)
	Consolidated / Company
	2006
Investments in associated companies recorded by the equity method	527.31
Equity in net profit of associated companies	114.28

4. Accounting policies

4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

4.2 Trade accounts receivable

Trade accounts receivable are carried in the balance sheet at the amount expected to be collectible. Allowance for doubtful receivables are estimated by percentage of accounts receivable which is assessed primarily on analysis of payment histories and review of all outstanding amounts at balance sheet date. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written off during the year in which they are identified.

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

4.3 Inventory

Inventories are stated at the lower of cost or net realisable value. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charge, less all attributable discounts, allowances or rebates. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads, the latter being allocated on the basis of normal operating activities. Cost of raw materials, work in process and finished goods is calculated using the first-in first-out (FIFO) method.

The Group estimates the net realisable value by using the selling price in the ordinary course of business less selling expenses.

The Group makes the allowance for diminutions in the value of obsolete, defective or slow-moving inventories.

4.4 Investments in subsidiaries and associates companies

Investment in subsidiaries in the company financial statement is recorded by equity method deducted by allowance for impairment (if any). The excess loss over its investment value is reflected as liability in the balance sheet.

Associates are entities over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated amortisation) on acquisition. When the Group's share of losses in an associate or exceeds its interest in the associate, the Group does not recognise further losses unless the Group has incurred obligations or made payment on behalf of the associates.

Investments in associates are accounted for using the equity method of accounting in the consolidated and company financial statements. Under this method the Group's share of the post-acquisition profits and losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment.

4.5 Property, plant and equipment

Property, plant and equipment are recorded at cost. Property, plant and equipment, except for land, are stated in the balance sheet at historical cost less accumulated depreciation and accumulated impairment losses (as if).

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

The Group's depreciation is calculated on the straight-line method to write off the cost of each asset, except for land and assets under construction, to their residual values over their estimated useful life as follows:

Leasehold land	lease period
Building and construction	20 years
Machinery and factory equipment	10 years
Stamping dies	7-10 years
Motor vehicles	5 years
Furniture and office equipment	3-5 years

Expenditure incurred for addition, renewal or betterment, which results in a substantial increase in an asset's current replacement value, is capitalised. Repair and maintenance costs are recognised as an expense when incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

4.6 Accounting for leases

Where the Group is the lessee

Long term leases which substantially transferred all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of income over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The assets acquired under finance leases while depreciation is carried throughout the useful life of leased asset. However, if there is uncertainty in the right of ownership when the contract is terminated, depreciation is carried according to useful life of leased assets or life of leased contract whichever the period is lower.

Long term leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Where the Group is the lesser

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with other similar property, plant and equipment owned by the group.

4.7 Borrowing costs

Borrowing costs include interest, amortization of discounts or premiums relating to borrowings, amortization of ancillary costs incurred in arranging borrowings, and finance lease charges. Borrowing costs are generally expensed as incurred, except the extent that they are capitalized if they are directly attributable to the acquisition or construction of property, plant and equipment during the period of time required to complete and prepare the property for its intended use.

4.8 Intangible assets

Goodwill and negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill on acquisitions is reported in the consolidated balance sheet as a non current asset and is amortised using the straight-line method over its estimated useful life.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. Negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the statement of income over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those assets is recognised in the statement of income immediately.

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

Other intangible assets

Other intangible asset comprise cost of computer software which the Group acquired is stated at historical cost less accumulated amortization and impairment loss (as if). Cost of computer software is amortised on the straight-line method over its useful live of 10-20 years.

Subsequent expenditure relating to an intangible asset is added to the carrying value of the asset only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is recognized as an expense in the period in which it is incurred

4.9 Impairment of assets

The carrying amounts of the Group's assets and also intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

The Group will recognize impairment losses in the statement of income, or reduce the revaluation increment in assets in case that those assets are previously revalued. The reversal of impairment losses will be recognised as part of other income or as a revaluation increment in assets when there is an indication that the impairment losses are no longer exist or decreased.

4.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

4.11 Revenue recognition

Sales are recognised on the delivery of goods or on customer acceptance or on the performance of services. Sales are shown net of sales taxes and discounts.

Interest income is recognized on an accrual basis unless collect ability is in doubt.

Other income is recognized on an accrual basis.

Rental income is recognized as income over the lease period (Note 4.6). Service income is recognized as services and rendered

4.12 Employee benefits

The Group operates a provident fund which is funded by payments from employees and by the Group. The assets for which are held in a separate trust fund. Contributions to the provident fund are charged to the statement of income in the year to which they relate.

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

4.13 Foreign currency transactions

The Group translates foreign currency transactions into Baht using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into Baht at the exchange rate prevailing at that date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of income as incurred.

4.14 Corporate income tax

The Group calculates income tax according to the Revenue Code.

4.15 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to shareholders by the weighted average number of paid-up ordinary shares in issue during the year.

4.16 Segment information

Business segments provide products and services that are subject to risks and returns that are different from those of other business segments. Geographic segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

Segment information is presented by business segments of the Group's operations.

4.17 Financial instruments

Financial assets and liabilities carried on the balance sheets include cash and cash equivalents, trade and other receivables, trade and other payables, and loan receivables and payables. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contract arrangement. Interest, dividend, and gains and losses relating to a financial instrument classified as a liability are reported as income or expense. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

5. Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Phanpanit family is a major shareholder, holding 40.81% (2005: 38.26%) of the share capital of the Company.

Transactions related to companies in which the Phanpanit family are the principal shareholders or directors are recognised as related parties to the Company.

The Group has transactions with related parties for the year ended on December 31, 2006 and 2005 as follows:

5.1 Inter assets and liabilities

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2006	2005
Trade accounts receivable				
YNP Engineering Company Limited	-	-	59,711,150	43,085,163
Yarnapund International Company Limited	-	-	24,241,241	136,273,509
Walker Exhaust (Thailand) Company Limited	79,129,774	111,975,417	79,129,774	111,975,417
YS Pund Company Limited	297,357,308	277,688,575	297,357,308	277,688,575
Yarnapund Daiso (Thailand) Company Limited	571,170	-	-	-
	377,058,252	389,663,992	460,439,473	569,022,664
Short-term loan to				
YNP Engineering Company Limited				
Beginning balance	-	-	-	-
Addition during the period	-	-	10,000,000	-
Proceed during the period	-	-	-	-
Ending balance	-	-	10,000,000	-
Yarnapund International Company Limited				
Beginning balance	-	-	-	18,500,000
Addition during the period	-	-	15,000,000	-
Proceed during the period	-	-	-	(18,500,000)
Ending balance	-	-	15,000,000	-
	-	-	25,000,000	-

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2006	2005
Advance payment for purchase of goods				
Yarnapund International Company Limited	-	-	757,910	-
YNP Engineering Company Limited	-	-	14,271,956	40,907,290
Yarnapund Daiso (Thailand) Company Limited	-	3,350,000	-	3,350,000
	-	3,350,000	15,029,866	44,257,290
Other accounts receivable				
YNP Engineering Company Limited	-	-	590,783	818,785
Walker Exhaust (Thailand) Company Limited	4,137,664	5,307,355	4,137,664	5,307,355
YS Pund Company Limited	185,985	-	185,985	-
	4,323,649	5,307,355	4,914,432	6,126,140
Accrued interests receivable				
YNP Engineering Company Limited	-	-	23,014	-
Yarnapund International Company Limited	-	-	14,383	-
	-	-	37,397	-
Trade accounts payable				
YNP Engineering Company Limited	-	-	44,202,795	61,116,776
Yarnapund International Company Limited	-	-	12,227,597	1,562,262
YS Pund Company Limited	357,239,241	398,773,453	357,239,241	398,773,453
Yarnapund Daiso (Thailand) Company Limited	10,561,788	11,853,806	8,892,613	9,746,256
	367,801,029	410,627,259	422,562,246	471,198,747
Other account payable				
YNP Engineering Company Limited	-	-	-	74,000
Yarnapund International Company Limited	-	-	367,500	-
YS Pund Company Limited	30,400	-	30,400	-
	30,400	-	397,900	74,000

As at December 31, 2006, the Company constitutes short-term loans to 2 subsidiaries. Such inter-loan constitute promissory notes and interest is carried by the rate of 7 per annum

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

5.2 Inter revenues and expenses

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2006	2005
Sales of goods and services				
YNP Engineering Company Limited	-	-	94,991,945	92,268,872
Yarnapund International Company Limited	-	-	55,733,769	176,165,069
Walker Exhaust (Thailand) Company Limited	328,710,543	405,492,952	328,710,543	405,492,952
YS Pund Company Limited	1,509,790,988	1,161,406,538	1,509,790,988	1,161,406,538
Yarnapund Daiso (Thailand) Company Limited	1,435,467	4,455,402	-	-
	1,839,936,998	1,571,354,892	1,989,227,245	1,835,333,431
Additional revenues charged to adjust the sale of prior year				
YS Pund Company Limited	-	5,602,523	-	5,602,523
Rental , other and interest income				
YNP Engineering Company Limited	-	-	3,634,395	4,450,685
Yarnapund International Company Limited	-	-	324,739	1,490,397
Walker Exhaust (Thailand) Company Limited	32,132,606	26,036,434	32,132,606	26,036,434
YS Pund Company Limited	608,226	461,347	608,226	461,347
Yarnapund Daiso (Thailand) Company Limited	-	15,565	-	15,565
	32,740,832	26,513,346	36,699,966	32,454,428
Sales of property, plant and equipment				
Yarnapund International Company Limited	-	-	11,400	6,367,560
Purchase of goods, material and services				
YNP Engineering Company Limited	-	-	325,067,448	337,382,916
Yarnapund International Company Limited	-	-	32,452,685	23,100,249
Walker Exhaust (Thailand) Company Limited	1,209,598	-	1,209,598	-
YS Pund Company Limited	1,046,408,192	1,010,494,264	1,046,370,932	1,010,456,184
Yarnapund Daiso (Thailand) Company Limited	41,076,682	13,513,657	33,939,993	13,513,657
	1,088,694,472	1,024,007,921	1,439,040,656	1,384,453,006
Interest and other expenses				
Yarnapund International Company Limited	-	-	4,200,000	4,200,000
Investment in common stock				
YS Pund Company Limited	40,700,000	94,000,000	40,700,000	94,000,000

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

5.3 Pricing policies

- The Company charged the prices of sales and services to its subsidiaries, associates and related companies approximate to those charged to third parties. The prices of sales charged by the subsidiaries to the Company are made according to agreements.
- Sales of machineries and equipment to subsidiaries, associates and related companies are transacted at the replacement value of the assets at the transaction date, sales of land are transacted at the price approximate to those appraised value by independent appraisers.
- For loans, borrowing, the Company charges interest by referring to its cost of debt.

5.4 Relationship

Company	Relationship
Subsidiaries:	
YNP Engineering Company Limited	Shareholding and common directors
Yarnapund International Company Limited	Shareholding and common directors
Associates :	
Walker Exhaust (Thailand) Company Limited	Shareholding and common directors
YS Pund Company Limited	Shareholding and common directors
Yarnapund Daiso (Thailand) Company Limited	Shareholding and common directors
Related companies :	
Ratchamongkol Rice Company Limited	Shareholding and common directors
EKS Company Limited	Shareholding and common directors

5.5 Commitments with related parties

As at December 31, 2006, the Company entered into 2 contracts of land and building leases with director and subsidiary company. The leased areas are used for office buildings and storage warehouses. Total monthly rental fee for these 2 contracts was Baht 433,333 per month (2005 : Baht 350,000 per month)

As at December 31, 2006, the Company entered into 1 contracts of land to sublet the premise lease to a subsidiary company. The leased areas are used for factory. Total monthly rental fee for these 1 contracts was Baht 253,940 per month (2005 : Baht 253,940 per month)

As at December 31, 2006, the Company has given guarantees amounting to Baht 699.72 million for bank overdrafts, short-term and long-term loans facilities of subsidiaries. (2005 : Baht 781.8 million.)

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

6. Cash and cash equivalents

Consisted of :

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2006	2005
Cash	295,296	396,528	110,000	110,000
Deposits held at call with banks	246,215,969	606,418,265	242,306,928	598,627,090
Total	246,511,265	606,814,793	242,416,928	598,737,090

7. Trade accounts receivable - related parties

Consisted of :

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2006	2005
Trade accounts receivable	377,058,252	389,633,592	451,767,393	568,992,264
Posted cheques received	-	30,400	8,672,080	30,400
Total	377,058,252	389,663,992	460,439,473	569,022,664

Outstanding trade accounts receivable - related parties can be aged as follow :

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2006	2005
Current - 3 months	377,058,252	389,633,592	421,260,364	534,717,129
Overdue 3 - 6 months	-	-	30,507,029	34,275,135
Overdue 6 - 12 months	-	-	-	-
Overdue over 12 months	-	-	-	-
Posted cheques received	-	30,400	8,672,080	30,400
Total	377,058,252	389,663,992	460,439,473	569,022,664

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

8. Trade accounts receivable - third parties, net

Consisted of :

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2006	2005
Trade accounts receivable	693,216,670	929,817,195	417,866,951	596,886,007
Posted cheques received	57,990,671	9,096,113	40,889,218	8,888,577
Total	751,207,341	938,913,308	458,756,169	605,774,584
<u>Less</u> allowance for doubtful debts	(2,136,478)	(1,138,520)	(399,369)	(399,369)
Net	749,070,863	937,774,788	458,356,800	605,375,215

Outstanding trade accounts receivable - third parties can be aged as follow:

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2006	2005
Current - 3 months	579,002,439	763,292,719	401,784,865	501,630,624
Overdue 3 - 6 months	58,621,792	150,242,780	15,682,717	94,856,014
Overdue 6 - 12 months	53,257,420	15,882,327	-	-
Overdue over 12 months	2,335,019	399,369	399,369	399,369
Posted cheques received	57,990,671	9,096,113	40,889,218	8,888,577
Total	751,207,341	938,913,308	458,756,169	605,774,584
<u>Less</u> allowance for doubtful debts	(2,136,478)	(1,138,520)	(399,369)	(399,369)
Net	749,070,863	937,774,788	458,356,800	605,375,215

The Group's policy to set aside 50% and 100% allowance for trade accounts receivable which are classified as non-collectible and have been outstanding for a period overdue 6-12 months and overdue more than 12 months, respectively.

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

9. Inventories, net

Consisted of :

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2006	2005
Finished goods	121,706,172	73,866,165	111,671,542	62,411,096
Work in process	817,716,148	552,888,985	620,293,684	347,167,992
Raw material	256,266,070	125,510,991	247,354,843	117,575,022
Supplies	47,474,849	17,181,021	46,079,295	15,534,210
Total	1,243,163,239	769,447,162	1,025,399,364	542,688,320
<u>Less</u> Allowance for diminutions in the value of inventories	(529,657)	-	-	-
Net	1,242,633,582	769,447,162	1,025,399,364	542,688,320

10. Other current assets

Consisted of :

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2006	2005
Input tax pending to tax invoice	2,606,928	3,215,248	2,447,530	3,000,340
Withholding taxes	20,148,599	8,190,291	-	-
Prepaid interest expenses	-	702,389	-	702,389
Other accounts receivable	5,806,929	12,569,269	6,227,574	13,381,912
Others	4,505,359	5,513,323	3,635,672	3,631,670
Total	33,067,815	30,190,520	12,310,776	20,716,311
<u>Less</u> allowance for doubtful debts	(24,878)	-	(24,878)	-
Net	33,042,937	30,190,520	12,285,898	20,716,311

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

11. Fixed deposits pledged as collateral

As at December 31, 2006, the Group held fixed deposits with commercial banks amounting of Baht 1.11 million in the consolidated financial statement (2005: Baht 1.6 million in the consolidated financial statement and Baht 0.6 million in the company financial statement, respectively.) were used to guarantee the payment electricity and gasoline.

12. Investments in subsidiaries, associates and related companies

	(Unit : Baht)	
	Consolidated	Company
Investments in subsidiaries		
Beginning balance	-	625,072,179
Share of net profit in subsidiaries	-	5,749,778
Ending balance	-	630,821,957
Investment in associated		
Beginning balance	445,113,921	445,113,921
Share of net profit in associates	132,766,598	132,766,598
Dividend received	(28,681,900)	(28,681,900)
Investment in associated	40,700,000	40,700,000
Ending balance	589,898,619	589,898,619
Investment in related companies		
Beginning balance	-	-
Ending balance	-	-
Total	589,898,619	1,220,720,576

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

In the first quarter of 2006, the associate, YS Pund Company Limited, increased its share capital from 121,400 shares to 141,400 shares by issuing 20,000 new ordinary shares with par value of Baht 10,000 each. The Company acquired additional new share capital of the associate amounting Baht 40.70 million (4,070 shares at the price of 10,000 per share.) As a result, the proportion of investment in such associate increased from 20.22% to 20.24%. During the year of 2006, such associate declared a dividend payment for shareholders of Baht 149.98 per share. The Company recorded of such dividend totaling Baht 3.68 million.

In the third quarter of 2006, the associate, Walker Exhaust (Thailand) Company Limited declared a dividend payment for shareholders of Baht 125 per share. The Company recorded of such dividend totaling Baht 25.0 million.

The nature and carrying value of investment in subsidiaries, associates and related companies can be summarised as follows:

Company	Nature of business	Paid-up capital Million Baht	% of holding		Consolidated					
					Cost Method		Equity method		Dividend	
			2006	2005	2006	2005	2006	2005	2006	2005
			%	%	Baht	Baht	Baht	Baht	Baht	Baht
Associated										
Walker Exhaust (Thailand) Company Limited	Assembly of exhaust systems	80	25.00	25.00	20,000,000	20,000,000	62,587,390	69,105,289	25,000,000	-
Yarnapund Daiso (Thailand) Company Limited	Electronic deposit painting (EDP)	20	30.00	30.00	6,000,000	6,000,000	5,770,546	2,930,208	-	-
YS Pund Company Limited	Assembly of exhaust systems pipe for automotive manufacturer	1,414	20.24	20.22	286,160,000	245,460,000	521,540,683	373,078,424	3,681,900	-
					312,160,000	271,460,000	589,898,619	445,113,921	28,681,900	-
Related Companies										
Ratchamongkol Rice Company Limited										
(At cost Baht 100,000 net from impairment of Baht 100,000)		5	2.00	2.00	-	-	-	-	-	-
					312,160,000	271,460,000	589,898,619	445,113,921	28,681,900	-

The nature and carrying value of investment in subsidiaries, associates and related companies can be summarised as follows:

Company	Nature of business	Paid-up capital Million Baht	% of holding		Company					
					Cost Method		Equity method		Dividend	
			2006	2005	2006	2005	2006	2005	2006	2005
			%	%	Baht	Baht	Baht	Baht	Baht	Baht
Subsidiaries										
YNP Engineering Company Limited	Design and manufacture tooling	300	100.00	100.00	319,592,021	319,592,021	360,042,394	355,279,913	-	-
Yarnapund International Company Limited	Manufacture exhaust system and press parts	240	100.00	100.00	260,498,392	260,498,392	270,779,563	269,792,266	-	-
					580,090,413	580,090,413	630,821,957	625,072,179	-	-
Associated										
Walker Exhaust (Thailand) Company Limited.	Assembly of exhaust systems	80	25.00	25.00	20,000,000	20,000,000	62,587,390	69,105,289	25,000,000	-
Yarnapund Daiso (Thailand) Company Limited.	Electronic deposit painting (EDP)	20	30.00	30.00	6,000,000	6,000,000	5,770,546	2,930,208	-	-
YS Pund Company Limited.	Assembly of exhaust systems pipe for automotive manufacturer	1,414	20.24	20.22	286,160,000	245,460,000	521,540,683	373,078,424	3,681,900	-
					312,160,000	271,460,000	589,898,619	445,113,921	28,681,900	-
Related Companies										
Ratchamongkol Rice Company Limited.										-
(At cost Baht 100,000 net from impairment of Baht 100,000)		5	2.00	2.00	-	-	-	-	-	-
					892,250,413	851,550,413	1,220,720,576	1,070,186,100	28,681,900	-

13. Property, plant and equipment, net

Consisted of :

Consolidated									(Unit : Baht)	
	Land	Leasehold land	Building and construction	Machinery and equipment	Stamping dies	Motor vehicles	Office equipment	Work in progress	2006 Total	2005 Total
Cost :-										
At 1 January	1,072,728,180	5,000,000	852,783,416	4,225,533,409	660,842,959	67,012,488	68,288,591	792,723,617	7,744,912,660	5,982,282,768
Additions	5,593,000	9,500,000	35,347,768	183,484,285	159,073,776	2,474,661	22,180,948	994,594,170	1,412,248,608	1,785,650,501
Transfer in	-	-	371,996,996	94,554,481	-	2,762,150	141,505	-	469,455,132	1,443,387,740
Disposal	-	-	-	(12,913,991)	(125,630)	(2,712,731)	(4,162,298)	-	(19,914,650)	(23,020,609)
Transfer out	-	-	-	-	-	-	-	(469,455,132)	(469,455,132)	(1,443,387,740)
At 31 December	1,078,321,180	14,500,000	1,260,128,180	4,490,658,184	819,791,105	69,536,568	86,448,746	1,317,862,655	9,137,246,618	7,744,912,660
Accumulated depreciation:-										
At 1 January	-	(834,016)	(114,390,472)	(1,149,510,744)	(298,348,209)	(35,382,105)	(38,491,783)	-	(1,636,957,329)	(1,155,719,261)
Depreciation	-	(500,000)	(48,381,732)	(458,348,488)	(100,146,035)	(10,180,768)	(14,785,864)	-	(632,342,887)	(497,482,561)
Disposal/Other	-	-	-	5,429,581	40,471	2,712,727	139,037	-	8,321,816	16,244,493
At 31 December	-	(1,334,016)	(162,772,204)	(1,602,429,651)	(398,453,773)	(42,850,146)	(53,138,610)	-	(2,260,978,400)	(1,636,957,329)
Loss from impairment of land										
At 1 January	(201,206,486)	-	-	-	-	-	-	-	(201,206,486)	-
Increase during the period	(1,158,000)	-	-	-	-	-	-	-	(1,158,000)	(201,206,486)
Decrease during the period	-	-	-	-	-	-	-	-	-	-
At 31 December	(202,364,486)	-	-	-	-	-	-	-	(202,364,486)	(201,206,486)
Net book value										
At 31 December	875,956,694	13,165,984	1,097,355,976	2,888,228,533	421,337,332	26,686,422	33,310,136	1,317,862,655	6,673,903,732	5,906,748,845
Depreciation in the statements of income for the year ended on December 31,									632,342,887	497,482,561

Company										(Unit : Baht)
	Land	Leasehold land	Building and construction	Machinery and equipment	Stamping dies	Motor vehicles	Office equipment	Work in progress	2006 Total	2005 Total
Cost :-										
At 1 January	926,851,055	5,000,000	621,192,051	3,564,907,898	570,438,152	59,508,205	48,936,599	589,605,002	6,386,438,962	4,861,247,104
Additions	5,593,000	9,500,000	22,750,229	158,524,201	157,087,863	2,474,662	20,813,281	857,223,732	1,233,966,968	1,538,919,187
Transfer in	-	-	351,360,530	49,650,000	-	-	-	-	401,010,530	1,397,579,169
Disposal	-	-	-	(1,263,241)	-	(2,712,731)	(4,145,097)	-	(8,121,069)	(13,727,329)
Transfer out	-	-	-	-	-	-	-	(401,010,530)	(401,010,530)	(1,397,579,169)
At 31 December	932,444,055	14,500,000	995,302,810	3,771,818,858	727,526,015	59,270,136	65,604,783	1,045,818,204	7,612,284,861	6,386,438,962
Accumulated depreciation:-										
At 1 January	-	(834,016)	(81,124,729)	(966,995,450)	(267,446,099)	(32,060,219)	(29,332,581)	-	(1,377,793,094)	(986,419,545)
Depreciation	-	(500,000)	(36,417,126)	(387,218,538)	(90,046,543)	(8,217,661)	(10,959,724)	-	(533,359,592)	(403,563,627)
Disposal/Other	-	-	-	661,787	-	2,712,727	132,845	-	3,507,359	12,190,078
At 31 December	-	(1,334,016)	(117,541,855)	(1,353,552,201)	(357,492,642)	(37,565,153)	(40,159,460)	-	(1,907,645,327)	(1,377,793,094)
Loss from impairment of land										
At 1 January	(201,206,486)	-	-	-	-	-	-	-	(201,206,486)	-
Increase during the period	(1,158,000)	-	-	-	-	-	-	-	(1,158,000)	(201,206,486)
Decrease during the period	-	-	-	-	-	-	-	-	-	-
At 31 December	(202,364,486)	-	-	-	-	-	-	-	(202,364,486)	(201,206,486)
Net book value										
At 31 December	730,079,569	13,165,984	877,760,955	2,418,266,657	370,033,373	21,704,983	25,445,323	1,045,818,204	5,502,275,048	4,807,439,382
Depreciation in the statements of income for the year ended on December 31,									533,359,592	403,563,627

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

As at December 31, 2006, the gross carrying amounts of certain property, plant and equipment items of the Group totaling Baht 343.42 million (2005 : Baht 204.26 million) were fully depreciated but these items are still in active use.

Leased assets included above, where the Group are lessee under finance leases, comprise motor vehicle, machineries and office equipment with net book value as of December 31, 2006 of Baht 44.29 million in consolidated financial statements and Baht 35.93 million in the company financial statements (2005 : Baht 138.1 million and Baht 136.1 million, respectively.)

As of December 31, 2006, such asset under the financial lease contract which combined and reflected in above transaction is consisted of machinery carried the book value of Baht 2.18 million. The Company has fully repaid in accordance with the contract of financial lease; however, such asset has not been transferred to be ownership of the Company.

Land, building and machineries in consolidated and the company financial statements amounting of Baht 5,017.90 million and Baht 4,114.56 million respectively (2005 : Baht 4,918.5 million and Baht 4,010.3 million respectively) are mortgaged as collateral for credit facilities of bank overdrafts, short-term and long-term loans from financial institution (Note 17 and 20.)

As at December 31, 2006, leasehold with net book value of Baht 3.92 million (2005: Baht 4.2 million) in consolidated and company financial statements was pledged as collateral for credit facilities of bank overdrafts from financial institutions (Note 17).

For the year ended on December 31, 2006, the Group capitalized borrowing cost to cost of constructed factory and acquired machineries amounting to Baht 35.75 million in consolidated financial statements and Baht 24.39 million in the company financial statements. The borrowing costs arise from loan specifically entered into for the construction of factory and the acquisition and installation of machineries amounting to Baht 1,857.19 million in consolidated financial statements and Baht 1,661.10 million in the company financial statements.

During the year of 2006, the Company arranges an independent appraiser to appraise fair value of land purchase in the year 2006, by using the method of market information comparison. An independent appraiser has assessed fair value of such asset lower than book value. As a result, the Company recognized an impairment loss for land in the Company financial statements in amount of Baht 1.16 millions.

14. Land not used for operation

As at December 31, 2006, land not used for operation in the consolidated and company financial statements amounting Baht 20.52 million (2005 : Baht 6.68 million) is mortgaged as collateral for credit facilities of long-term loans from financial institution (Note 20).

During the year of 2006, the Company arranges an independent appraiser to appraise fair value of land not used for operation by using the method of market information comparison. An independent appraiser has assessed fair value of such asset lower than book value. As a result, the Company recognized an impairment loss for such asset in the Company financial statements in amount of Baht 1.22 millions.

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

15. Intangible assets, net

Consisted of :

Consolidated

	(Unit : Baht)	
	Computer software	Total
Cost :-		
At 1 January 2006	11,883,730	11,883,730
Additions/transfer in	10,341,063	10,341,063
Disposal/transfer out	-	-
At 31 December 2006	22,224,793	22,224,793
Accumulated amortisation :-		
At 1 January 2006	(2,172,788)	(2,172,788)
Amortisation charge	(2,924,852)	(2,924,852)
Write off/other	-	-
At 31 December 2006	(5,097,640)	(5,097,640)
Net book value		
At 1 January 2006	9,710,942	9,710,942
At 31 December 2006	17,127,153	17,127,153
Amortisation charges in statements of income		
For the year ended on December 31, 2005		1,542,472
For the year ended on December 31, 2006		2,924,852

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

Company

	(Unit : Baht)	
	Computer software	Total
Cost :-		
At 1 January 2006	6,356,210	6,356,210
Additions/transfer in	10,025,950	10,025,950
Disposal/transfer out	-	-
At 31 December 2006	16,382,160	16,382,160
Accumulated amortisation :-		
At 1 January 2006	(515,723)	(515,723)
Amortisation charge	(1,144,257)	(1,144,257)
Write off/other	-	-
At 31 December 2006	(1,659,980)	(1,659,980)
Net book value		
At 1 January 2006	5,840,487	5,840,487
At 31 December 2006	14,722,180	14,722,180
Amortisation charges in statements of income		
For the year ended on December 31, 2005		434,719
For the year ended on December 31, 2006		1,144,257

16. Other non-current assets

Consisted of :

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2006	2005
Prepaid income tax	40,645,202	-	40,645,202	-
Deposit payment	2,230,823	96,000	2,105,823	-
Security deposit to lesser	636,080	5,168,308	-	4,292,225
Prepaid rental fee	1,969,998	2,730,000	1,969,998	2,730,000
Government bond	80,000	80,000	80,000	80,000
Total	45,562,103	8,074,308	44,801,023	7,102,225
Less Allowance for diminutions in the value of government bond	(80,000)	-	(80,000)	-
Total	45,482,103	8,074,308	44,721,023	7,102,225

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

17. Bank overdrafts and short-term loans from financial institutions

Consisted of :

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2006	2005
Bank overdrafts	110,543,521	60,021,687	-	674,968
Short-term from financial institutions	2,644,500,000	2,094,800,199	2,355,500,000	1,855,000,000
Total	2,755,043,521	2,154,821,886	2,355,500,000	1,855,674,968

The Group held bank overdraft facilities from many commercial banks in the consolidated and company financial statement amounting of Baht 335 million and Baht 215 million, respectively (2005 : Baht 255 million and Baht 135 million, respectively) under the interest rate of 7.00 - 8.75% per annum. (2005: 5.75% - 7.00% per annum) In addition, the Group also held short-term loan facilities from many domestic financial institutions in a form of promissory notes amounting of Baht 2,654.50 million in the consolidated and Baht 2,355.50 million in the company financial statement (2005 : Baht 2,556.5 million and Baht 2,320 million respectively) under the interest rate of 5.87 - 7.50% per annum (2005 : 3.23% - 6.75% per annum) and in a form of bill of exchange as at December 31, 2005 amounting of Baht 328.9 million in the consolidated and company financial statements under the interest rate of 3.40% per annum. The credit facilities were guaranteed by management of the Group and were secured on land, building and equipment and leasehold (Note 13).

18. Other current liabilities

Consisted of :

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2005	2006
Accrued income taxes	4,176,669	24,867,390	3,803,815	22,581,439
Accrued expenses	11,626,649	49,772,064	3,068,102	42,850,087
Accrued withholding taxes	15,002,341	11,235,828	12,426,425	9,352,383
Accounts payable-performance retention	20,728,518	4,586,606	20,728,518	4,586,607
Advance received of goods	22,860,689	26,986,999	4,276,700	-
Accounts payable-other	25,090,480	402,520	24,828,170	4,500
Others	716,735	979,536	59,679	1,217,816
Total	100,202,081	118,830,943	69,191,409	80,592,832

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

19. Obligation under finance lease, net

Consisted of :

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2006	2005
Obligation under finance lease	66,097,309	62,944,389	33,272,490	40,353,888
<u>Less</u> deferred finance lease charges	(8,421,027)	(6,795,276)	(2,934,214)	(3,297,175)
	57,676,282	56,149,113	30,338,276	37,056,713
<u>Less</u> current portion	(28,319,985)	(29,578,194)	(16,802,675)	(19,764,130)
Obligation under finance lease-net	29,356,297	26,570,919	13,535,601	17,292,583

The movements of obligation under finance lease for the year ended on December 31, 2006 is as follow:

	(Unit : Baht)	
	Consolidated	Company
Opening balance	56,149,113	37,056,713
Additions	38,686,418	18,907,766
Repayment	(37,159,249)	(25,626,203)
Ending balance	57,676,282	30,338,276

As at December 31, 2006, the Group performs the contract of long term financial leased with several leasing companies so as to lease motor vehicle, machineries and office equipment by number of 15 contracts (2005 : 12 contracts). The leased contracts determine leased fee repayment as monthly installment from Baht 1,210 per month to Baht 919,969.42 per month. The leased period is carried from 3 years to 4 years. Such leased contract comprises the Company's directors as guarantors. In addition, ownership of such motor vehicle, machineries and office equipment will transfer to ownership of the Group when the Group pays the final installment in accordance with the leased contract.

Obligation under finance lease - minimum lease payments:

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2006	2005
Not later than 1 year	28,319,985	29,578,194	16,802,675	19,764,130
Later than 1 year but not later than 4 years	29,356,297	26,570,919	13,535,601	17,292,583
Total	57,676,282	56,149,113	30,338,276	37,056,713

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

20. Long-term loans from financial institutions - net

Consisted of :

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2006	2005
Loan from financial institutions	3,382,637,472	2,840,714,910	2,890,863,622	2,349,234,920
<u>Less</u> current portion	(656,880,000)	(611,348,761)	(577,680,000)	(532,700,662)
Long-term loan - net	2,725,757,472	2,229,366,149	2,313,183,622	1,816,534,258

The movement of long-term loans for the year ended on December 31, 2006 is as follow:

	(Unit : Baht)	
	Consolidated	Company
Opening balance	2,840,714,910	2,349,234,920
Additions	1,130,793,888	969,954,270
Change type in accordance with the term and covenant in the loan contract	480,000,000	480,000,000
Repayment	(1,068,871,326)	(908,325,568)
Ending balance	3,382,637,472	2,890,863,622

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

As at December 31, 2006 and 2005, the major loans (after netting of deferred debt issue cost,) in the consolidated financial statements were from commercial banks and financial institutions which were summarised as follow;

Contract No.	Amount		Interest Rate	Repayment terms and conditions	The payment Start from
	December 31, (Baht million)				
	2006	2005	Per annum		
1.	-	35	MLR	Monthly payable within 84 installments of Baht 714,286 each	February 28, 2003
2.	-	53	MLR	Monthly payable within 60 installments of Baht 1,000,000 each	June 30, 2005
3.	-	24	MLR	Monthly payable within 60 installments of Baht 455,000 each	November 30, 2004
4.	89	-	MLR-1	Monthly payable within 60 installments of Baht 1,750,000 each	December 29, 2006
5.	66	89	MLR-0.25	Monthly payable within 72 installments of Baht 1,950,000 each	November 22, 2003
6.	169	154	MLR-1	Quarterly payable within 24 installments : Installments 1 : Baht 1,000,000 each Installments 2-5 : Baht 2,000,000 each Installments 6-9 : Baht 6,000,000 each Installments 10-13 : Baht 8,000,000 each Installments 14-17 : Baht 10,000,000 each Installments 18-23 : Baht 11,000,000 each Installments 24 : Baht 12,000,000 each	November 30, 2006
7.	54	-	MLR-1	Quarterly payable within 24 installments : Installments 1-4 : Baht 1,000,000 each Installments 5-8 : Baht 1,500,000 each Installments 9-13 : Baht 2,000,000 each Instaliments 14-17 : Baht 2,500,000 each Installments 18-21 : Baht 4,000,000 each Installments 22-24 : Baht 9,000,000 each	March 31, 2007
8.	114	137	MLR-1	Monthly payable within 84 installments of Baht 1,900,000 each	June 30, 2005
9.	223	339	MLR	Quarterly payable within 24 installments of Baht 28,920,000 each	March 31, 2003
10.	1,452	1,385	MLR-1	Quarterly payable within 22 installments of Baht 73,000,000 each	July 1, 2006
11.	-	61	MLR-0.50	Monthly payable within 48 installments of Baht 1,750,000 each	December 19, 2004
12.	-	120	MLR-1	Monthly payable within 60 installments of Baht 4,170,000 each	August 31, 2006
13.	-	41	MLR+1	Monthly payable within 84 installments of Baht 3,655,657 each. The payments start from the 54th to 84th installments	October 15, 1999
14.	-	96	MLR	Monthly payable within 60 installments of Baht 2,416,667 each	May 31, 2004
15.	-	299	MLR-1	Monthly payable within 84 installments of Baht 3,600,000 each	February 28, 2006
16.	100	-	MLR-1	Quarterly payable within 8 installments of Baht 12,500,000 each	January 6, 2007

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

Contract No.	Amount December 31, (Baht million)		Interest Rate Per annum	Repayment terms and conditions	The payment Start from
	2006	2005			
17.	100	-	MLR-0.75	Quarterly payable within 8 installments of Baht 12,500,000 each	March 31, 2007
18.	164	-	MLR	Monthly payable within 5 years, installments of Baht 3,350,000 each	December 29, 2006
19.	70	-	MLR	Monthly payable within 36 installments of Baht 2,400,000 each	May 31, 2006
20.	781	-	MLR-1	Quarterly payable within 26 installments by dividing according to the loan portion 1 and 2: Installments 1-2 : Baht 1,000,000 and 1,000,000 each Installments 3-6 : Baht 18,000,000 and 22,000,000 each Installments 7-10 : Baht 20,000,000 and 25,000,000 each Installments 11-14 : Baht 34,000,000 and 41,000,000 each Installments 15-18 : Baht 45,000,000 and 55,000,000 each Installments 19-22 : Baht 51,000,000 and 61,500,000 each Installments 23-25 : Baht 57,000,000 and 69,500,000 each Installments 26 : Baht 55,000,000 and 71,500,000 each	Portion 1 - December 6, 2007 Portion 2 - March 19, 2008
21.	-	8	MLR	Many minor loan agreements with different repayment terms	
	3,382	2,841			

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

As at December 31, 2006 and 2005, the major loans (after netting of deferred debt issue cost,) in the company financial statements were from commercial banks and financial institutions which were summarised as follow;

Contract No.	Amount		Interest Rate	Repayment terms and conditions	The payment Start from
	December 31, (Baht million)				
	2006	2005	Per annum		
1.	223	339	MLR	Quarterly payable within 24 installments of Baht 28,920,000 each	March 31, 2003
2.	1,452	1,385	MLR -1	Quarterly payable within 22 installments of Baht 73,000,000 each	July 1, 2006
3.	-	61	MLR -0.50	Monthly payable within 48 installments of Baht 1,750,000 each	December 19, 2004
4.	-	120	MLR -1	Monthly payable within 60 installments of Baht 4,170,000 each	August 31, 2006
5.	-	41	MLR+1	Monthly payable within 84 installments of Baht 3,655,657 each. The payments start from the 54 th to 84 th installments	October 15, 1999
6.	-	96	MLR	Monthly payable within 60 installments of Baht 2,416,667 each	May 31, 2004
7.	-	299	MLR-1	Monthly payable within 84 installments of Baht 3,600,000 each	February 28, 2006
8.	100	-	MLR-1	Quarterly payable within 8 installments of Baht 12,500,000 each	January 6, 2007
9.	100	-	MLR-0.75	Quarterly payable within 8 installments of Baht 12,500,000 each	March 31, 2007
10.	164	-	MLR	Monthly payable within 5 years, installments of Baht 3,350,000 each	December 29, 2006
11.	70	-	MLR	Monthly payable within 36 installments of Baht 2,400,000 each	May 31, 2006
12.	781	-	MLR-1	Quarterly payable within 26 installments by dividing according to the loan portion 1 and 2 : Installments 1-2 : Baht 1,000,000 and 1,000,000 each Installments 3-6 : Baht 18,000,000 and 22,000,000 each Installments 7-10 : Baht 20,000,000 and 25,000,000 each Installments 11-14 : Baht 34,000,000 and 41,000,000 each Installments 15-18 : Baht 45,000,000 and 55,000,000 each Installments 19-22 : Baht 51,000,000 and 61,500,000 each Installments 23-25 : Baht 57,000,000 and 69,500,000 each Installments 26 : Baht 55,000,000 and 71,500,000 each	Portion 1 December 6, 2007 Portion 2 March 19, 2008
13.	-	8	MLR	Many minor loan agreements with different repayment terms	
	2,890	2,349			

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

The loans were guaranteed by management of the Company and are secured on a part of land, building and machineries of the Group. (Note 13)

The Group constitutes important procedure to comply with the loan contract which is specified in the loan contract as follows :

- It is determined that the main shareholder of Pundpanich family of the Company will maintain proportion of shareholding in the Company by minimum of 40% of registered share capital of the company.
- It is determined that the Company has to maintain proportion of some financial issue in accordance with the determination of those specified in the loan contract.
- It is determined to forbid that the Company give any loan or guarantee or take any default or service to any persons except the borrower will declare to the bank in letter and the bank consents that such case is the normal course of business operation.
- It is determined that dividend is not payable no matter as interim or annum or pay benefit no matter as interim or annum or distribute any benefit or remuneration to shareholders except the bank will consent that such operation will not affect to ability in the debt repayment of the Company.

21. Share capital and premium on share capital

The movements of share capital and premium on share capital for year ended on December 31, 2006 and 2005 is as follow:

	Number of shares (Unit : Shares)	Ordinary shares (Unit : Baht)	Share premium (Unit : Baht)	Total (Unit : Baht)
As at January 1, 2005	252,000,000	1,260,000,000	604,368,989	1,864,368,989
Issue of share as at July 29, 2005	68,000,000	340,000,000	646,000,000	986,000,000
Expenses concerning to issue of ordinary shares	-	-	(19,972,500)	(19,972,500)
As at December 31, 2005	320,000,000	1,600,000,000	1,230,396,489	2,830,396,489
Issue of share during the year	-	-	-	-
As at December 31, 2006	320,000,000	1,600,000,000	1,230,396,489	2,830,396,489

As at December 31, 2006, the total authorised number of ordinary shares is 320 million shares (2005: 320 million shares) with a par value of Baht 5.00 per share (2005: Baht 5.00 per share). All issued shares are fully paid.

At an Extraordinary General Meeting of shareholders on July 12, 2005 and Directors' meeting on July 20, 2005, the meeting passed the resolution to approve the allotment of 68,000,000 registered but unissued shares at the par value of Baht 5 per share. The allotment was made by the way of private placement at the offering price of Baht 14.50 per share. As a result of share allotment, the issued and paid-up share capital increased by Baht 340,000,000 and the premium on share capital (less the cost directly attributed to the sell of share) increased by Baht 626,027,500.

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

Total net proceeds from issue of share capital were Baht 966,027,500. The Company had registered such change in issued and paid-up share capital with the Ministry of Commerce on July 29, 2005.

22. Legal reserve

The Company appropriated as a statutory reserve in accordance with the Thai Public Company Limited Act B.E. 2535 at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve reaches not less than 10% of the registered capital. The legal reserve is non-distributable.

23. Other income

For the year ended on December 31, 2006 and 2005 is as follow:

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2006	2005
Interest income	7,729,947	4,949,863	7,683,744	4,569,112
Other income - related parties	28,551,324	23,653,436	29,336,685	25,692,306
Revenues from rental - related parties	4,189,508	2,859,910	7,251,087	4,886,030
Miscellaneous income	8,564,009	6,965,912	7,826,302	7,231,514
Other	1,935,009	2,293,006	1,119,536	2,203,431
Total	50,969,797	40,722,127	53,217,354	44,582,393

24. Correction of error

In the 4th quarter of year 2005, the Company purchased land so as for use as construction of the third factory in amount of Baht 635.97 millions which is under the appraised price that has been appraised by an independent appraiser whom have been approved by the office of the Securities and Exchange Commission. (in amount of Baht 674.55 millions in accordance with the report of value appraisal dated on October 27, 2005.). Later, the Company has been informed by the independent appraiser that such appraised price constitutes error since the supposition in the computation of appraised price was not appropriated. As a result, the independent appraiser has arranged the new price appraisal in accordance with the report of price appraisal dated April 20, 2006. It is reflected that such land constitutes appraised price at amount of Baht 434.76 millions. During the first quarter of 2006, the Company has rectified such error by performing retroactive adjustment of the financial statements of year 2005 where resulted that property, plant and equipment is decreased by Baht 201.21 million as at December 31, 2005, and the impairment loss for land is increased by the same amount in consolidated and company financial statement for the year ended on December 31, 2005. In addition, the beginning retained earnings in consolidated and company financial statements for the year end on 31 December 2006 which is adjusted by the accumulation result by amount of Baht 201.21 millions. Consequently, the beginning retained earnings as reported previously amounting to Baht 590.75 millions remained amounting to Baht

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

398.54 millions. While given such error of the independent appraiser, the Company has filed the litigation to demand compensation from the independent appraiser.

25. Directors' remuneration

For the year ended on December 31, 2006, the total remuneration of the directors in the consolidated and company financial statements approximated Baht 31.22 million and Baht 25.66 million, respectively. (2005 : Baht 35.76 million and Baht 23.72 million, respectively) not exceeding the amount approved by the board of directors of the company. Directors' remuneration represents meeting fees, salaries and bonus.

26. Operating profit

The following expenditure items, classified by nature, have been charged in arriving at operating profit :

	(Unit : Baht)			
	Consolidated		Company	
	2006	2005	2006	2005
(Gain) loss from exchange rate	(570,636)	(4,148,295)	(543,723)	(2,855,287)
Doubtful debts	1,163,237	601,730	165,278	70,835
Written off unrefundable import duties	6,646,744	-	6,646,744	-
Loss for diminution of inventories (reverse)	529,657	(9,634,458)	-	(3,925,416)
Loss from impairment of land	2,381,369	201,206,486	2,381,369	201,206,486
Amortization of goodwill	-	264,114	-	-
Amortization of intangible assets and deferred expenses	5,044,850	1,542,472	3,262,254	434,719
Depreciation	632,342,887	497,482,561	533,359,592	403,563,627
Royalty and technical supporting fee	11,715,667	12,027,123	11,168,010	9,745,137
Staff costs	490,515,037	443,073,124	348,465,576	336,598,986
(Profit) from sale of property, plant and equipment	(290,038)	(2,609,457)	(116,721)	(2,203,430)

27. Dividends paid

From the resolutions of the Annual General Shareholder's Meeting held on 27 April 2006, it was approved to declare a dividend payment for shareholders of Baht 0.15 per share, totaling Baht 48.0 million. Dividends have been paid to shareholders in May 2006. (2005 : Baht 0.11 per share, totaling Baht 27.72 million)

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

28. Provident fund

The Group established a contributory registered provident fund, in accordance with the Provident Fund Act B.E.2530. The Group appointed an authorized fund manager to manage the fund on January 1, 2002. Under the plan, employees must contribute 5 percent of their basic salary and the Company is required to make monthly contributions to the fund at the same rate of employees. In the year 2006 The Group contribution to the provident fund was Baht 1.28 million (2005 : Baht 1.10 million)

29. Segment Information

The details of segment information for year ended on December 31, 2006 was as follow:

	(Unit : million Baht)			
	Auto parts	Stamping dies	Elimination entries	Total
Net sale	5,153.7	289.0	(506.5)	4,936.2
Segment result	561.9	32.6		594.5
Selling and administrative expense				(278.3)
Unallocated income				51.3
Operating profit				367.5
Share of profit in associates				132.8
Profit before interest expense and income tax				500.3
Interest expense				(334.5)
Income tax				(18.5)
Net profit				147.3
Fix assets of the Group	5,903.2	770.7		6,673.9
Depreciation	559.3	73.0		632.3
Total liabilities of the Group				7,376.8

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

The details of segment information for year ended on December 31, 2005 was as follow:

	(Unit : million Baht)			
	Auto parts	Stamping dies	Elimination entries	Total
Net sale	5,054.4	282.7	(633.2)	4,703.9
Segment result	511.5	54.0		565.5
Selling and administrative expense				(439.7)
Unallocated income				48.9
Operating profit				174.7
Share of profit in associates				129.1
Profit before interest expense and income tax				303.8
Interest expense				(180.4)
Income tax				(61.5)
Net profit				61.9
Fix assets of the Group	5,225.1	681.6		5,906.7
Depreciation	440.0	57.5		497.5
Total liabilities of the Group				6,372.7

30. Capital commitments and contingent liabilities

30.1 As at December 31, 2006, the Company entered into 7 contracts of land and building leases with third parties. The leased areas are used for office buildings and storage warehouses. Total monthly rental fee for these 7 contracts was Baht 600,300 per month (2005 : Baht 609,000 per month.)

30.2 As at December 31, 2006, the Group had the commitment for factory construction and acquisition of machineries and equipment in the consolidated and company financial statements approximately Baht 536.50 million and Baht 495.69 million respectively (2005 : Baht 532.2 million and Baht 575.7 million respectively.)

30.3 As at December 31, 2006, the Group had letters of guarantee issued by banks for the payment of electricity fee and gasoline in the consolidated and company financial statements amounting of Baht 10.48 million and 9.4 million respectively. (2005 : Baht 6.1 million and Baht 5.1 million respectively)

Yarnapund Public Company Limited and Subsidiary Companies

Notes to Financial Statements

December 31, 2006 and 2005

31. Financial instruments

The principal financial risks faced by the Group are interest rate risk and credit risk. The Group did not speculate in or engage in trading of any derivative financial instruments.

Interest rate risk

The Group were exposed to interest risks because it held deposits to and loan from financial institutions. However, the Group believed that the future fluctuation on market interest rate would not provided significant effect to their operation and cash flows; therefore, no financial derivative was adopted to manage such risks.

Credit risk

The Group were exposed to credit risk. However, due to its confined credit policy and the fact that its major customers are large multinational companies with strong financial position, the Group do not anticipate material losses from its debt collection. The Group estimated the allowance for doubtful accounts from the ending balance of accounts receivable. The estimate was made by considering the customer's past collection experiences.

Fair value

The financial assets and liabilities include cash and deposit held from financial institutions, trade accounts receivable and payable, other receivable and payable, loan from related parties and long-term loan. Their carried values approximate to their fair values

32. Approval of financial statements

These financial statements have been approved for issue by the directors of the Company on 28 February 2007.