

THAILAND

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THE INDUSTRIAL FINANCE CORPORATION OF THAILAND
AND
THE INDUSTRIAL FINANCE CORPORATION OF THAILAND
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND STAND ALONE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996
AND
AUDITORS' REPORT

บริษัท สำนักงาน เอสจีวี-ณ ถलग จำกัด
SGV-NA THALANG & CO., LTD.



SGV-NA THALANG & CO., LTD.

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As discussed in Note 8 to financial statements, as at December 31, 1997, the two subsidiaries; First City Investment Public Co., Ltd. and IFCT Finance & Securities Public Co., Ltd., did not provide allowances for possible losses on investments in debentures and accrued interest receivables of certain financial institutions which operations have been closed by the order of the Ministry of Finance and investments in debentures of which debentures issuers have defaulted in the payment of interest to them totalling approximately Baht 687 million. The management of both companies are negotiating for the changes to the Negotiated Certificate of Deposits of Krung Thai Bank Public Co., Ltd. in the case of senior debentures. The management also believe that the Companies can share the proceeds or transfer the debts to equity in the future, in the case of subordinate debentures. In addition, the management are negotiating with the debentures issuers and expected to get the full payments at the end. The ultimate outcome of these matters cannot presently be determined. Consequently, subsidiaries did not purpose to provide the allowances for the possible losses of the said investments in their accounts.

As discussed in Note 11 to financial statements, the two subsidiaries; First City Investment Public Co., Ltd. and IFCT Finance & Securities Public Co., Ltd., provide allowances for doubtful accounts for loans receivable which are classified as doubtful assets and sub-standard assets under the criteria set by the Bank of Thailand. Those subsidiaries valued collaterals based on values appraised by the management and/or the former appraised values of independent appraisers without any reappraisal of collateral values as the management believe that the current collateral values are not different from the appraisals previously made and recorded allowances for doubtful accounts are adequate for the possible losses.

In our opinion, subject to the effects of such adjustments to the equity in net income of associated companies as might have been required had the financial statements of associated companies referred in the third paragraph been audited by auditors and subject to the uncertainties on the recoverable values of investments in debentures and collateral values for loans receivables which might caused the allowances for decline in value of investments and allowances for doubtful accounts to be inadequate, as referred in the forth and fifth paragraphs, the financial statements referred to above present fairly the financial position and the consolidated financial position as of December 31, 1997 and 1996, and the results of operations and consolidated operations, of cash flows and consolidated cash flows for the years then ended of The Industrial Finance Corporation of Thailand and The Industrial Finance Corporation of Thailand and subsidiaries in conformity with generally accepted accounting principles applied on a consistent basis after the adjustments, which we concur, on deferred exchange losses as referred in the second paragraph.

Somchai Teerapong



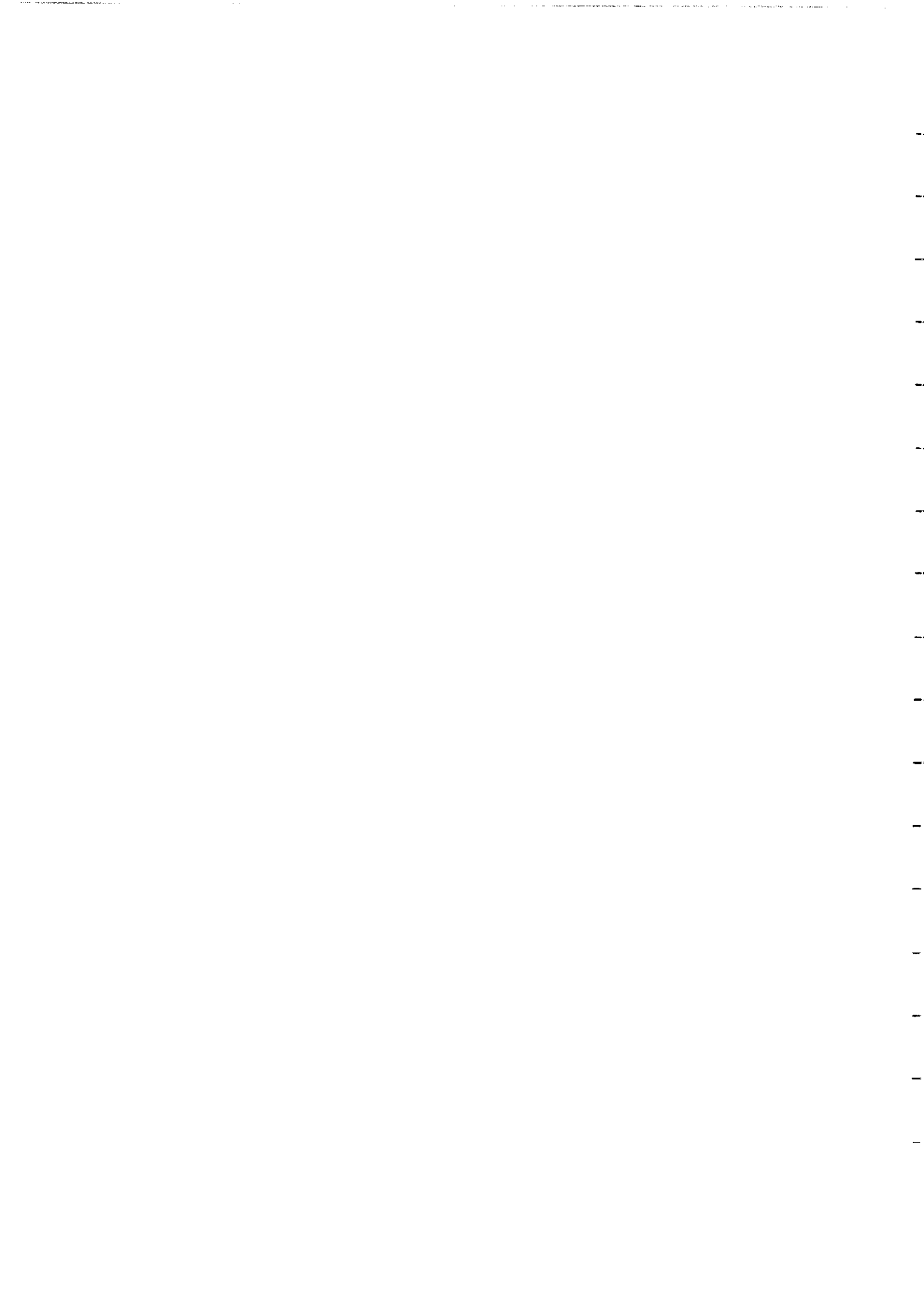
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We draw attention to Note 24 to financial statements, which summarize the effects of the economic crisis on the Corporation and subsidiaries to the extent they are known and can be estimated. The country's economic crisis caused by the currency volatility of the countries in the Asia Pacific region which has a significant effect to the operations of the Corporation and subsidiaries and will continue to be affected for the foreseeable future and the net realizable value of assets together with the capability to maintain the debts status or to repay the matured debts. The ultimate outcome on these matters cannot be presently determined. The financial statements do not include any adjustment that might result from these uncertainties. However, the Corporation and its subsidiaries will report the related effects in the financial statements as they become known and estimable.

Somckid Tiatragul
SOMCKID TIATRAGUL
C.P.A. (THAILAND)
Registration No. 2785

February 22, 1998 (except for Note 2 as to which dated March 19, 1998)



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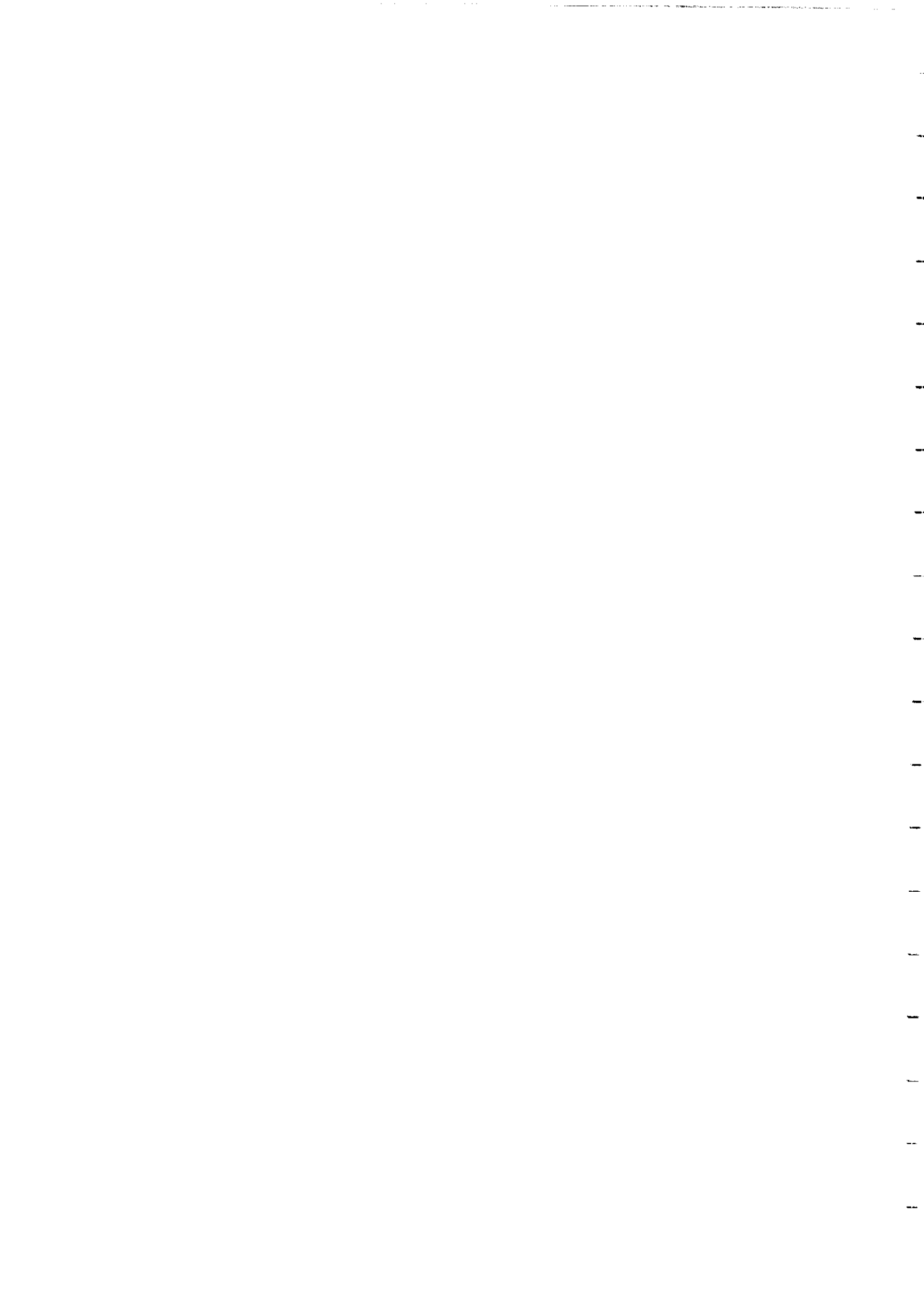
THE INDUSTRIAL FINANCE CORPORATION OF THAILAND AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS DECEMBER 31, 1997 AND 1996

A S S E T S

	In Baht	
	1997	1996
Cash in Hand and at Banks (Note 5)	807,435,983	1,322,445,680
Investments in Short-term Promissory Notes (Note 6)	21,813,716,671	17,834,541,750
Securities Purchased under Resale Agreement (Note 7)	5,879,000,000	377,000,000
Investments in Securities (Note 8)		
Securities for trading	1,474,704,201	4,476,658,729
Securities for investment	12,589,776,413	11,345,918,352
Investments in Securities	14,064,480,614	15,822,577,081
<u>Less</u> Allowances for decline in value of securities	(2,347,598,445)	(682,918,956)
Investments in Securities -Net	11,716,882,169	15,139,658,125
Investment in Security under Resale Agreement (Note 9)	478,196,500	-
Accounts with Securities Companies	635,180	59,300
Loans, Receivables and Accrued Interest Receivables (Note 10)		
Loans and receivables	177,114,181,008	125,147,979,319
Securities business receivables	1,363,185,773	2,890,636,708
Total Loans and Receivables	178,477,366,781	128,038,616,027
Accrued interest receivables and fees	5,528,279,233	2,575,834,636
Total Loans, Receivables and Accrued Interest Receivables	184,005,646,014	130,614,450,663
<u>Less</u> Allowances for doubtful accounts (Note 11)	(3,999,464,583)	(1,068,142,492)
Total Loans, Receivables and Accrued Interest Receivables - Net	180,006,181,431	129,546,308,171
Properties Foreclosed	684,031,362	419,212,549
Land, Buildings and Equipment - Net (Note 12)	2,318,506,320	2,250,149,114
Other Assets		
Other assets (Note 13)	5,842,909,597	4,229,134,126
Deferred Expenses from Foreign Currency Swap - Net (Note 2)	852,054,534	961,589,649
Total Other Assets	6,694,964,131	5,190,723,775
TOTAL	230,399,549,747	172,080,098,464

See accompanying Notes to Financial Statements.
(With Mr. Somkid Tiatragul's report dated February 22, 1998)

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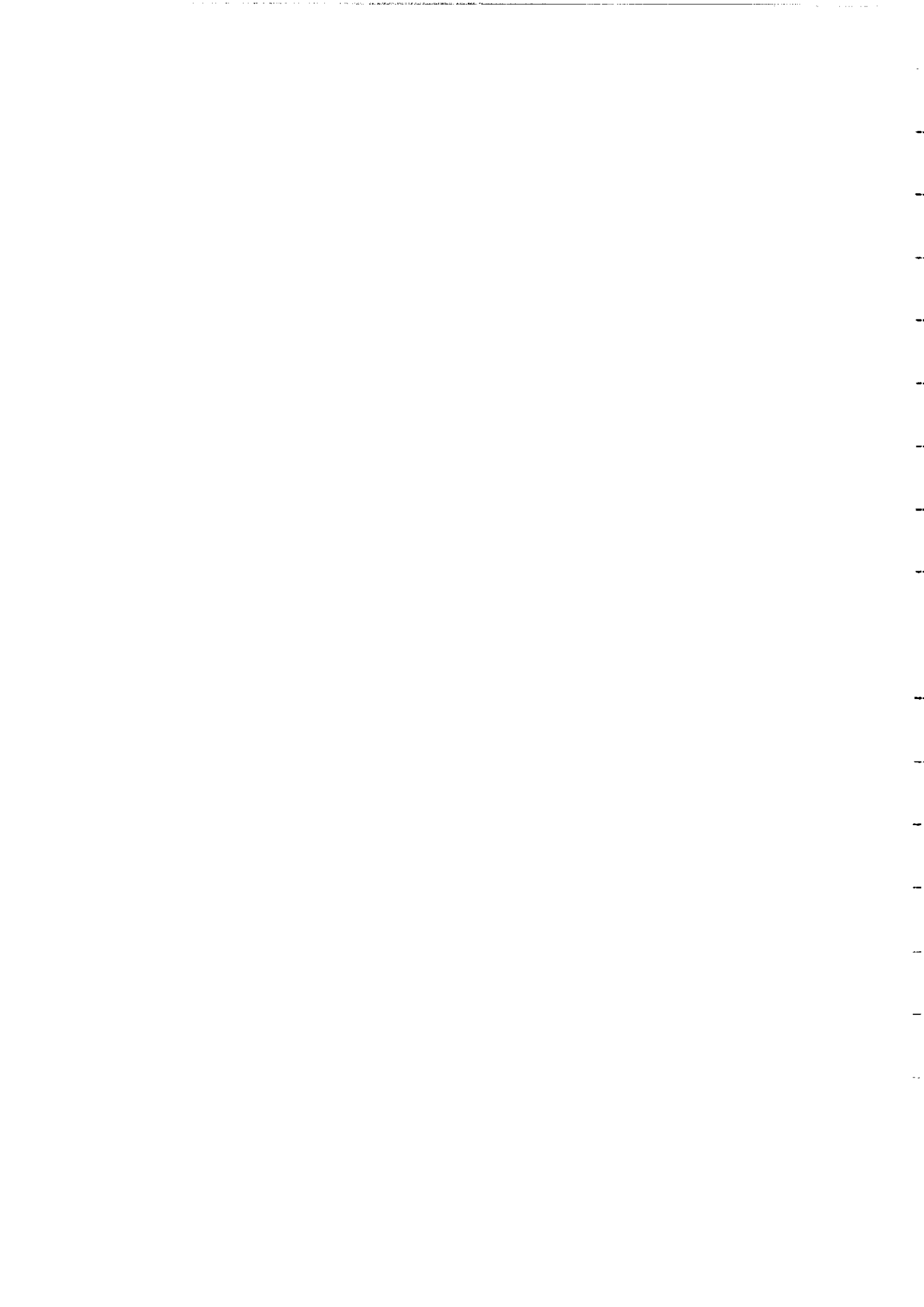
THE INDUSTRIAL FINANCE CORPORATION OF THAILAND BALANCE SHEETS DECEMBER 31, 1997 AND 1996

A S S E T S

	In Baht	
	1997	1996
Cash in Hand and at Banks (Note 5)	390,861,701	772,737,208
Investments in Short-term Promissory Notes (Note 6)	24,009,960,631	17,444,076,257
Securities Purchased under Resale Agreement (Note 7)	5,879,000,000	-
Investments in Securities (Note 8)		
Securities for trading	983,344,917	3,752,668,048
Securities for investment	12,171,929,776	10,293,081,477
Investments in Securities	13,155,274,693	14,045,749,525
<u>Less</u> Allowances for decline in value of securities	(1,595,340,807)	(485,049,088)
Investments in Securities - Net	11,559,933,886	13,560,700,437
Investment in Security under Resale Agreement (Note 9)	478,196,500	-
Loans, Receivables and Accrued Interest Receivables (Note 10)		
Loans and receivables	155,259,761,209	104,092,920,930
Accrued interest receivables and fees	4,062,109,232	1,916,610,105
Total Loans, Receivables and Accrued Interest Receivables	159,321,870,441	106,009,531,035
<u>Less</u> Allowances for doubtful accounts (Note 11)	(2,394,960,000)	(858,572,906)
Loans, Receivables and Accrued Interest Receivable -net	156,926,910,441	105,150,958,129
Properties Foreclosed	264,684,033	30,689,208
Land, Buildings and Equipment-Net (Note 12)	1,842,780,751	1,753,675,763
Other Assets		
Other assets (Note 13)	4,732,321,519	3,150,124,333
Deferred Expenses from Foreign Currency Swap - Net (Notes 2)	852,054,534	961,589,649
Total Other Assets	5,584,376,053	4,111,713,982
TOTAL	206,936,703,996	142,824,550,984

See accompanying Notes to Financial Statements.
(With Mr. Somkid Tiatragul's report dated February 22, 1998)

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SGV-NA THALANG & CO., LTD.

**THE INDUSTRIAL FINANCE CORPORATION OF THAILAND
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1997 AND 1996
LIABILITIES AND SHAREHOLDERS' EQUITY**

	In Baht	
	1997	1996
LIABILITIES		
Notes Payable (Note 14)	46,582,621,643	52,798,615,304
Borrowings (Note 15)	46,931,096,328	35,810,619,516
Securities Sold under Repurchase Agreements	394,650,000	40,000,000
Accounts with Securities Companies	37,882	49,205,991
Customers' Accounts	13,022,442	20,274,009
Debentures (Note 16)	114,579,502,069	60,501,701,629
Accrued Interest and Charges on Borrowings	3,828,275,472	1,996,608,327
Accounts Payable and Accrued Expenses (Notes 2, 15 and 23)	<u>1,249,855,131</u>	<u>1,336,923,742</u>
Total Liabilities	<u>213,579,060,967</u>	<u>152,553,948,518</u>
MINORITY INTEREST (Note 21)	<u>1,138,518,221</u>	<u>2,357,749,648</u>
SHAREHOLDERS' EQUITY		
Share capital - common share, Baht 10 par value		
Authorized, issued and fully paid-up 544,794,464 shares in 1997 and 544,762,852 shares in 1996 (Note 18)	5,447,944,640	5,447,628,520
Paid-in surplus	3,824,691,567	3,823,205,803
Revaluation increment in property-Net	635,517,558	658,923,042
Unrealized losses on securities for investments (1,060,567,601)	(210,318,960)
Retained earnings		
Appropriated for (Note 19)		
Legal reserve	687,702,000	539,588,000
Reserve required under borrowing agreements	6,255,656	6,255,656
Special reserves	3,621,392,399	2,340,660,884
Unappropriated	2,519,034,340	4,562,457,353
Total Shareholders' Equity	<u>15,681,970,559</u>	<u>17,168,400,298</u>
TOTAL	<u>230,399,549,747</u>	<u>172,080,098,464</u>
Contingent Liabilities (Note 28)		
Avals to promissory notes and guarantee for loans	28,313,660,582	12,011,269,867
Letters of credit	962,569,650	394,680,761
Other commitments	4,318,382,670	4,255,182,951

See accompanying Notes to Financial Statements.
(With Mr. Somckid Tiatragul's report dated February 22, 1998)

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SGV-NA THALANG & CO., LTD.

THE INDUSTRIAL FINANCE CORPORATION OF THAILAND BALANCE SHEETS DECEMBER 31, 1997 AND 1996

LIABILITIES AND SHAREHOLDERS' EQUITY

	In Baht	
	1997	1996
LIABILITIES		
Notes Payable (Note 14)	28,031,663,961	28,728,684,331
Borrowings (Note 15)	42,406,288,632	32,403,878,946
Debentures (Note 16)	116,304,896,201	61,632,819,880
Accrued Interest and Charges on Borrowings	3,498,409,307	1,745,009,592
Accounts Payable and Accrued Expenses (Notes 2, 15 and 23)	<u>1,013,475,336</u>	<u>1,109,416,703</u>
Total Liabilities	<u>191,254,733,437</u>	<u>125,619,809,452</u>
SHAREHOLDERS' EQUITY		
Share capital - common share, Baht 10 par value		
Authorized, issued and fully paid-up 544,794,464 shares in 1997 and 544,762,852 shares in 1996 (Note 18)	5,447,944,640	5,447,628,520
Paid-in surplus	3,824,691,567	3,823,205,803
Revaluation increment in property - Net Unrealized losses on securities for investments	635,517,558	658,923,042
(770,611,605)	(770,611,605)	(173,977,726)
Retained earnings		
Appropriated for (Note 19)		
Legal reserve	687,702,000	539,588,000
Reserve required under borrowing agreements	6,255,656	6,255,656
Special reserves	3,621,392,399	2,340,660,884
Unappropriated	<u>2,229,078,344</u>	<u>4,562,457,353</u>
Total Shareholders' Equity	<u>15,681,970,559</u>	<u>17,204,741,532</u>
TOTAL	<u>206,936,703,996</u>	<u>142,824,550,984</u>
Contingent Liabilities (Note 28)		
Avals to promissory notes and guarantee for loans	27,118,652,074	11,373,259,431
Letters of credit	962,569,650	394,680,761
Other commitments	4,318,382,670	4,255,182,951

See accompanying Notes to Financial Statements.
(With Mr. Somckid Tiatragul's report dated February 22, 1998)

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SGV-NA THALANG & CO., LTD.

THE INDUSTRIAL FINANCE CORPORATION OF THAILAND AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

	In Baht	
	1997	1996
INTEREST AND DIVIDEND INCOME ON		
Loans	17,384,431,968	12,417,775,344
Investments in short-term promissory notes and deposits	2,663,706,581	2,251,989,534
Hire-purchase and installments	13,268,775	45,410,291
Securities - net	1,205,272,732	883,639,176
Equity in net income of associated companies - net of goodwill amortization	<u>65,369,189</u>	<u>112,844,429</u>
Total Interest, Dividend Income and Equity in Net Income of Associated Companies	<u>21,332,049,245</u>	<u>15,711,658,774</u>
EXPENSES ON BORROWINGS		
Interest and discounts on borrowings	15,648,529,435	11,145,845,833
Fees and charges on borrowings	320,011,456	108,627,785
Losses on exchange (Note 20)	<u>186,475,016</u>	<u>172,527,620</u>
Total Expenses on Borrowings	<u>16,155,015,907</u>	<u>11,427,001,238</u>
Net Interest and Dividend Income	5,177,033,338	4,284,657,536
DOUBTFUL ACCOUNTS	<u>3,476,570,321</u>	<u>375,766,314</u>
Interest and Dividend Income - Net of Doubtful Accounts	<u>1,700,463,017</u>	<u>3,908,891,222</u>
NON-INTEREST INCOME		
Gains (losses) on securities trading - Net	(599,888,858)	186,138,147
Fees and services income	612,874,419	578,222,968
Other income	<u>197,099,977</u>	<u>103,112,804</u>
Total Non-Interest Income	<u>210,085,538</u>	<u>867,473,919</u>
OPERATING EXPENSES		
Personnel expenses	755,840,393	849,827,537
Director's remuneration	14,279,195	22,153,977
Premises and equipment expenses	180,080,349	165,597,335
Income tax of subsidiaries	201,915	159,343,501
Other expenses	<u>551,735,066</u>	<u>493,905,111</u>
Total Operating Expenses	<u>1,502,136,918</u>	<u>1,690,827,461</u>

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SGV-NA THALANG & CO., LTD.

Consolidated Income

- 2 -

	In Baht	
	1997	1996
Income before minority interest	408,411,637	3,085,537,680
<u>Less</u> Minority interest in net income (loss)	(800,992,992)	(125,143,129)
Income before cumulative effect of accounting change on income tax from prior year up to December 31, 1996	1,209,404,629	2,960,394,551
<u>Add</u> Cumulative effect of accounting change on income tax from prior year up to December 31, 1996 (Note 25)	<u>17,968,442</u>	<u>-</u>
INCOME BEFORE EXTRAORDINARY ITEM	1,227,373,071	2,960,394,551
Extraordinary item - Loss from the use of floated currency exchange system (Note 26)	(616,224,527)	-
NET INCOME (Note 27)	611,148,544	2,960,394,551
Unappropriated Retained Earnings, beginning of year	4,562,457,353	4,113,312,795
Appropriated for		
Dividends	(1,225,726,042)	(1,089,275,522)
Legal reserve	(148,114,000)	(131,424,000)
Special reserves	(480,731,515)	(490,550,471)
Business expansion	(800,000,000)	(800,000,000)
UNAPPROPRIATED RETAINED EARNINGS, END OF YEAR	<u>2,519,034,340</u>	<u>4,562,457,353</u>
Earnings per Share		
Income before cumulative effect of accounting change	2.22	5.43
Cumulative effect of accounting change on income tax from prior year up to December 31, 1996 (Note 25)	0.03	-
Extraordinary item (Note 26)	(1.13)	-
Net income	<u>1.12</u>	<u>5.43</u>

See accompanying Notes to Financial Statements.
(With Mr. Somckid Tiatragul's report dated February 22, 1998)

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SGV-NA THALANG & CO., LTD.

THE INDUSTRIAL FINANCE CORPORATION OF THAILAND STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

	In Baht	
	1997	1996
INTEREST AND DIVIDEND INCOME ON		
Loans	13,703,245,232	9,376,548,773
Investments in short-term promissory notes and deposits	2,955,548,325	2,144,046,330
Hire-purchase and installments	7,092,906	40,748,476
Securities - net	791,926,619	481,826,457
Equity in net income (loss) of subsidiaries and associated companies - net of goodwill amortization	(1,039,540,582)	153,154,640
Total Interest, Dividend Income and Equity in Net income (loss) of Subsidiaries and Associated Companies	16,418,272,500	12,196,324,676
EXPENSES ON BORROWINGS		
Interest and discounts on borrowings	12,733,585,545	8,628,780,362
Fees and charges on borrowings	272,760,366	103,492,034
Losses on exchange (Note 20)	168,496,897	172,181,008
Total Expenses on Borrowings	13,174,842,808	8,904,453,404
Net Interest and Dividend Income	3,243,429,692	3,291,871,272
DOUBTFUL ACCOUNTS	(1,950,140,722)	(166,039,334)
Interest and Dividend Income - Net of Doubtful Accounts	1,293,288,970	3,125,831,938
NON-INTEREST INCOME		
Gains (losses) on securities trading - net	(459,331,169)	232,223,819
Fees and services income	524,368,111	419,018,896
Other income	103,360,917	102,983,696
Total Non-Interest Income	168,397,859	754,226,411
OPERATING EXPENSES		
Personnel expenses	574,589,686	646,512,136
Director's remuneration	9,787,945	17,998,977
Premises and equipment expenses	119,332,233	110,906,323
Other expenses	146,828,421	144,246,362
Total Operating Expenses	850,538,285	919,663,798
NET INCOME (Note 27)	611,148,544	2,960,394,551
Earnings per Share	1.12	5.43

See accompanying Notes to Financial Statements.
(With Mr. Somckid Tiatragul's report dated February 22, 1998)

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**THE INDUSTRIAL FINANCE CORPORATION OF THAILAND
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996**

	In Baht	
	1997	1996
Common Share Capital		
Balance, beginning of year	5,447,628,520	5,446,252,830
Addition	<u>316,120</u>	<u>1,375,690</u>
Balance, end of year	<u>5,447,944,640</u>	<u>5,447,628,520</u>
Paid-in Surplus		
Balance, beginning of year	3,823,205,803	3,816,740,060
Addition	<u>1,485,764</u>	<u>6,465,743</u>
Balance, end of year	<u>3,824,691,567</u>	<u>3,823,205,803</u>
Revaluation Increment in Property (Note 12)		
Revaluation increment in property	658,923,042	682,328,526
Accumulated depreciation	(<u>23,405,484</u>)	(<u>23,405,484</u>)
Balance, end of year	<u>635,517,558</u>	<u>658,923,042</u>
Unrealized losses on securities for investments		
Balance, beginning of year	(210,318,960)	-
Addition	(<u>850,248,641</u>)	(<u>210,318,960</u>)
Balance, end of year	<u>(1,060,567,601)</u>	<u>(210,318,960)</u>
Legal Reserve (Note 19)		
Balance, beginning of year	539,588,000	408,164,000
Addition	<u>148,114,000</u>	<u>131,424,000</u>
Balance, end of year	<u>687,702,000</u>	<u>539,588,000</u>
Reserve Required under Borrowing Agreements (Note 19)		
Balance, beginning of year	6,255,656	6,255,656
Addition	<u>-</u>	<u>-</u>
Balance, end of year	<u>6,255,656</u>	<u>6,255,656</u>
Special Reserve (Note 19)		
Balance, beginning of year	2,340,660,884	1,050,110,413
Addition	<u>1,280,731,515</u>	<u>1,290,550,471</u>
Balance, end of year	<u>3,621,392,399</u>	<u>2,340,660,884</u>

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Consolidated Shareholders' Equity

- 2 -

	In Baht	
	1997	1996
Unappropriated Retained Earnings		
Balance, beginning of year	4,562,457,353	4,113,312,795
Additions during the years - net income	611,148,544	2,960,394,551
- Appropriated for dividends	(1,225,726,042)	(1,089,275,522)
- Appropriated for legal reserve	(148,114,000)	(131,424,000)
- Appropriated for special reserve	(480,731,515)	(490,550,471)
- Appropriated for business expansion	(800,000,000)	(800,000,000)
Balance, end of year	<u>2,519,034,340</u>	<u>4,562,457,353</u>
 TOTAL SHAREHOLDERS' EQUITY	 <u>15,681,970,559</u>	 <u>17,168,400,298</u>

See accompanying Notes to Financial Statements.
(With Mr. Somckid Tiatragul's report dated February 22, 1998)

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THE INDUSTRIAL FINANCE CORPORATION OF THAILAND
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

	In Baht	
	1997	1996
Common Share Capital		
Balance, beginning of year	5,447,628,520	5,446,252,830
Addition	<u>316,120</u>	<u>1,375,690</u>
Balance, end of year	<u>5,447,944,640</u>	<u>5,447,628,520</u>
Paid-in Surplus		
Balance, beginning of year	3,823,205,803	3,816,740,060
Addition	<u>1,485,764</u>	<u>6,465,743</u>
Balance, end of year	<u>3,824,691,567</u>	<u>3,823,205,803</u>
Revaluation Increment in Property (Note 12)		
Revaluation increment in property	658,923,042	682,328,526
Accumulated depreciation	<u>(23,405,484)</u>	<u>(23,405,484)</u>
Balance, end of year	<u>635,517,558</u>	<u>658,923,042</u>
Unrealized losses on securities for investments		
Balance, beginning of year	<u>(173,977,726)</u>	-
Addition	<u>(596,633,879)</u>	<u>(173,977,726)</u>
Balance, end of year	<u>(770,611,605)</u>	<u>(173,977,726)</u>
Legal Reserve (Note 19)		
Balance, beginning of year	539,588,000	408,164,000
Addition	<u>148,114,000</u>	<u>131,424,000</u>
Balance, end of year	<u>687,702,000</u>	<u>539,588,000</u>
Reserve Required under Borrowing Agreements (Note 19)		
Balance, beginning of year	6,255,656	6,255,656
Addition	<u>-</u>	<u>-</u>
Balance, end of year	<u>6,255,656</u>	<u>6,255,656</u>
Special Reserve (Note 19)		
Balance, beginning of year	2,340,660,884	1,050,110,413
Addition	<u>1,280,731,515</u>	<u>1,290,550,471</u>
Balance, end of year	<u>3,621,392,399</u>	<u>2,340,660,884</u>

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Stand Alone Shareholders' Equity

- 2 -

	In Baht	
	1997	1996
Unappropriated Retained Earnings		
Balance, beginning of year	4,562,457,353	4,113,312,795
Additions during the years - net income	611,148,544	2,960,394,551
- Appropriated for dividends	(1,225,726,042)	(1,089,275,522)
- Appropriated for legal reserve	(148,114,000)	(131,424,000)
- Appropriated for special reserve	(480,731,515)	(490,550,471)
- Appropriated for business expansion	(800,000,000)	(800,000,000)
- Unrealized loss on securities for investments of subsidiaries	(289,955,996)	-
Balance, end of year	<u>2,229,078,344</u>	<u>4,562,457,353</u>
TOTAL SHAREHOLDERS' EQUITY	<u>15,681,970,559</u>	<u>17,204,741,532</u>

See accompanying Notes to Financial Statements.
 (With Mr. Somkid Tiatragul's report dated February 22, 1998)

Somkid

**THE INDUSTRIAL FINANCE CORPORATION OF THAILAND
 AND SUBSIDIARIES**
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

	In Baht	
	1997	1996
Cash flows from operating activities		
Net income	611,148,544	2,960,394,551
Adjustments to reconcile net income to net cash provided from (used by) operating activities		
Allowance for decline in value of investments	625,973,919	96,630,715
Depreciation and amortization	128,619,303	118,831,787
Bad debts and doubtful accounts	3,475,035,526	397,870,222
Amortization on deferred expenses from foreign currency swap	99,157,091	105,845,180
Goodwill amortization	95,485,271	99,782,607
Interest provided for special fund	19,475,509	21,330,149
Equity in net income of associated companies - net of goodwill amortization and dividend income	(31,156,799)	(54,230,849)
Minority interest in net income (loss) of subsidiaries	(926,136,121)	125,143,129
Gain on sales of fixed assets and properties foreclosed	(19,082,974)	(16,382,162)
Increase in interest and dividend receivables	(3,019,436,118)	(1,013,631,880)
Increase in interest payable	1,881,326,836	341,352,443
Increase (decrease) in other payables	(174,025,526)	19,748,605
Decrease in prepaid expenses	7,822,790	5,759,163
Losses (gains) on exchange rates	554,423,596	(10,184,795)
Gains from transfer of investments in securities	(1,299,480)	-
Cumulative effect of accounting change on income tax	(17,968,442)	-
Net cash provided from operating activities	<u>3,309,362,925</u>	<u>3,198,258,865</u>

Somchai

Consolidated Cash Flows

	In Baht	
	1997	1996
Decrease (Increase) in operational assets		
Investments in short-term promissory notes	(3,397,329,719)	37,344,508
Securities purchased under resale agreement	(5,502,000,000)	-
Investments in securities for trading	2,940,014,030	(620,441,764)
Investment in security under resale agreement	(478,196,500)	-
Accounts with securities companies (assets)	(575,880)	(59,300)
Loans and receivables	(9,991,652,367)	(33,929,219,625)
Properties foreclosed	(262,172,243)	(392,546,208)
Other assets	(383,991,987)	101,456,513
Increase (Decrease) in operational liabilities		
Notes payable	(9,527,445,800)	10,640,929,477
Borrowings	(5,181,647,961)	6,562,551,034
Securities sold under repurchase agreements	354,650,000	-
Accounts with securities companies (liabilities)	(49,168,109)	9,618,533
Customers' accounts	(7,251,566)	3,352,106
Other liabilities	53,104,141	68,449,381
Net cash used in operating activities	(28,124,301,036)	(14,320,306,480)
Cash flows from investing activities		
Increase in securities for investments	(1,615,228,978)	(858,226,159)
Purchases of land, buildings and equipment	(219,861,500)	(277,603,427)
Cash received from sales of land, buildings and equipment	11,118,190	5,290,679
Decrease in equipment held for lease in subsidiary caused by the decrease in percentage of investment	-	551,759,116
Decrease in long-term investments	898,349,327	741,271,841
Net cash provided from (used in) investing activities	(925,622,961)	162,492,050

Somchai

Consolidated Cash Flows

	In Baht	
	1997	1996
Cash flows from financing activities		
Cash received from issuance of debentures and long-term notes payable	77,350,061,530	25,072,614,226
Cash paid for debentures and long-term notes payable	(47,487,884,175)	(9,734,212,679)
Minority interest in consolidated subsidiaries	(103,338,896)	(34,189,795)
Payment of dividends	(1,225,726,043)	(1,076,204,052)
Increase in share capital	316,120	1,375,690
Increase in premium on share capital	<u>1,485,764</u>	<u>6,465,743</u>
Net cash provided from financing activities	<u>28,534,914,300</u>	<u>14,235,849,133</u>
Net increase (decrease) in cash	(515,009,697)	78,034,703
Cash at January 1	<u>1,322,445,680</u>	<u>1,244,410,977</u>
CASH AT DECEMBER 31	<u>807,435,983</u>	<u>1,322,445,680</u>

See accompanying Notes to Financial Statements.
(With Mr. Somckid Tiatragul's report dated February 22, 1998)

Somckid

SCA-NAL

THE INDUSTRIAL FINANCE CORPORATION OF THAILAND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

	In Baht	
	1997	1996
Cash flows from operating activities		
Net income	611,148,544	2,960,394,551
Adjustments to reconcile net income to net cash provided from (used by) operating activities		
Allowance for decline in value of investments	513,657,838	102,421,382
Depreciation and amortization	73,942,426	70,676,287
Bad debts and doubtful accounts	1,950,140,722	166,039,334
Amortization on deferred expenses from foreign currency swap	99,157,091	105,845,180
Interest provided for special fund	19,475,509	21,330,149
Equity in net loss of subsidiaries and associated companies-net of goodwill amortization and dividend income	1,193,428,225	1,870,671
Gains on sales of fixed assets and properties foreclosed	(17,861,034)	(14,898,504)
Increase in interest and dividend receivables	(2,212,225,647)	(610,576,740)
Increase in interest payable	1,803,059,406	332,064,595
Increase (decrease) in other payables	(87,074,208)	52,086,491
Decrease in prepaid expenses	7,783,338	5,652,763
Gains on exchange rates	(1,420,880)	(2,279,829)
Net cash provided from operating activities	3,953,211,330	3,190,626,330
Decrease (Increase) in operational assets		
Investments in short-term promissory notes	(5,777,376,802)	2,135,482,389
Securities purchased under resale agreement	(5,879,000,000)	-
Investments in securities for trading	2,707,382,633	(10,980,682)
Investment in security under resale agreement	(478,196,500)	-
Loans and receivables	(10,240,599,979)	(25,607,918,483)
Properties foreclosed	(231,348,255)	(4,022,667)
Other assets	(262,709,291)	109,158,798

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Stand Alone Cash Flows

	In Baht	
	1997	1996
Increase (Decrease) in operational liabilities		
Notes payable	(4,008,472,509)	3,679,054,360
Borrowings	(6,299,715,086)	3,558,193,413
Other liabilities	(42,719,932)	289,630,590
Net cash used in operating activities	(26,559,544,391)	(12,660,776,152)
Cash flows from investing activities		
Increase in securities for investments	(3,764,760,236)	(2,181,494,125)
Purchases of land, buildings and equipment	(194,668,455)	(230,094,352)
Cash received from sales of land, buildings and equipment	6,219,170	3,803,927
Decrease in long-term investments	898,349,327	741,271,841
Net cash used in investing activities	(3,054,860,194)	(1,666,512,709)
Cash flows from financing activities		
Cash received from issuance of debentures and long-term notes payable	77,944,337,412	25,378,052,000
Cash paid for debentures and long-term notes payable	(47,487,884,175)	(9,734,212,679)
Payment of dividends	(1,225,726,043)	(1,076,204,052)
Increase in share capital	316,120	1,375,690
Increase in premium on share capital	1,485,764	6,465,743
Net cash provide from financing activities	29,232,529,078	14,575,476,702
Net increase (decrease) in cash	(381,875,507)	248,187,841
Cash at January 1	772,737,208	524,549,367
CASH AT DECEMBER 31	390,861,701	772,737,208

See accompanying Notes to Financial Statements.
(With Mr. Somckid Tiatragul's report dated February 22, 1998)

Somckid



**THE INDUSTRIAL FINANCE CORPORATION OF THAILAND
 AND SUBSIDIARIES**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997 AND 1996

1. BASIS OF FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of The Industrial Finance Corporation of Thailand and subsidiaries as follows:

	Consolidated	
	Percentage of holding	
	1997	1996
IFCT Advisory Co., Ltd.	100.00	-
First City Investment Public Co., Ltd.	56.69	51.00
IFCT Finance & Securities Public Co., Ltd.	55.78	51.00
IFCT Nomura / JAFCO Holdings Co., Ltd.	-	51.00
IFCT Nomura / JAFCO Capital Co., Ltd.	-	51.00

All significant intercompany transactions between the Corporation and subsidiaries included in the consolidated financial statements have been eliminated.

2. FOREIGN CURRENCY TRANSACTIONS

Under The Industrial Finance Corporation of Thailand Act, B.E. 2502 and as subsequently amended, The Industrial Finance Corporation of Thailand Act provides that the Government can enter into agreements with the Corporation in order to shoulder the losses or receive the gains on foreign exchange, whichever the case may be.



The Corporation had entered into exchange risk agreements with the Government by the MoF whereby the MoF agreed to shoulder the exchange losses or receive the exchange gains from the borrowings in foreign currency. Under the exchange risk agreements, the Corporation is required to pay additional fee to the MoF at the rate of 3% of net profit before appropriation but not less than Baht 3.3 million per year. Prior to March 19, 1998, on which the independent legal advisor interpreted the agreements between the Corporation and the MoF concerning, the burden for the exchange losses or the receipt of the exchange gains, the Corporation understood that the amount reimbursed from the MoF for the exchange losses is to be repaid to the MoF. Such amount, therefore, was recorded as liability while the exchange losses was shown as deferred expense in the balance sheets. On March 19, 1998 an independent legal advisor interpreted the said agreements that the amount reimbursed from the MoF is the subsidy that the MoF paid for the losses under the exchange risk agreements, but the additional fee that the Corporation has to pay MoF, at the rate of 3% of net profit before appropriation but not less than Baht 3.3 million per year, is the compensation for the MoF to shoulder the losses on foreign exchange under the exchange risk agreements eventhough the ceiling amount of compensation equal to the amount of exchange losses reimbursed to the Corporation by the MoF. This opinion is different from the Corporation previous understanding. The Corporation, therefore, adjusted its 1997 and 1996 financial statements by offsetting the amount reimbursed by the MoF, formerly recorded as liability, against the deferred exchange losses in the balance sheets. Such adjustment does not have any effect to the statements of income or to the shareholders' equity. The Corporation accounts for its obligation to the MoF by taking up the yearly fee as part of its operating expenses on the same manner as its past practice.

In 1995, the Corporation made loan prepayment to some sources of funds under the agreements with the MoF and recorded exchange losses from such conversion as deferred expenses which accounted for as a part of other assests in balance sheets and will amortize over the remaining repayment periods of local currency debts.

Borrowings not covered by exchange risk agreements with the MoF, but to be absorbed by the debtors, are recorded as Baht receivables and payables by converting at the average rates announced by the Bank of Thailand at the balance sheets dates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Income Recognition

Interest income on investments in securities is recognized as income on an accrual basis.

Interest on loans and receivables is recognized as income on an accrual basis, except for interest on delinquent receivables overdue for more than 6 months and collaterals are inadequate or interest on delinquent receivables overdue for more than 1 year regardless of the adequacy of collaterals which are recognized as income on a cash basis.

Interest income on hire-purchase, leasing and other installment receivables is recognized on the accrual basis based on the proportion of principal amount and interest collection, except for interest on delinquent receivables overdue for more than 6 months which is recognized as income on a cash basis.

Method of Expense Recognition

Interest expense is recorded based on principals outstanding on an accrual basis. Discount on debentures is amortized by the straight-line method over the lives of the debentures and accounted for as a part of interest expense.

Depreciation and Amortization

The Corporation and its subsidiaries depreciate property and equipment by the straight-line method over the estimated useful lives of the assets ranging from 3 to 20 years.

The Corporation records appraisal increment of land and building in "Revaluation increment in property - Net" which is presented as a part of shareholders' equity. Depreciation of such revaluation increment is recorded as a deduction from appraisal increment in the balance sheets.

The Corporation amortizes goodwill within 10 years commencing from the investment date.

Allowances for Possible Losses on Investments
in Short-term Promissory Notes

The Corporation and subsidiaries provide allowances for possible losses on investments in short-term promissory notes based on the review of the current status of promissory notes issuers.

Allowances for Doubtful Accounts - Loans and Receivables

The Corporation and subsidiaries provide allowances for doubtful accounts based on the review and evaluation of the current status of each loan and receivable. The risks and collateral values and the regulations of the Bank of Thailand are also taken into consideration.

Properties Foreclosed

Properties foreclosed are properties received for the settlement of loans receivables which are stated at cost (cost is derived from the principal amount of loans plus accrued interest receivables and related expenses) or net realizable value whichever is lower. Gains or losses are taken up in the accounts when properties foreclosed are disposed of.

Investments in Securities

Before January 1, 1996, subsidiaries account for their investments in government and state enterprises securities at costs net of amortized premium or discount. Effective January 1, 1996, subsidiaries account for their investments in government and state enterprises securities at the lower of aggregate cost or aggregate market value. The market prices are computed based on the formular determined by the Bank of Thailand.

The Corporation and subsidiaries account for investments in listed securities for trading and investment at the lower of aggregate cost or aggregate market value. The market prices are based on the latest prices quoted in the Stock Exchange of Thailand at the balance sheets dates.

Investments in other securities that are held for long-term purposes are valued at cost. A partial provision is made for possible losses on investments in capital securities when there are uncertainties as to the ability of the investees to continue as a going concern and a full provision for losses is made when the market values of investee's book values are lower than costs and the decline in values are considered permanent.

Investments in debentures for trading are valued at the lower of aggregate cost or the aggregate market value and investments in debentures for investment are valued at the lower of aggregate cost (net of remaining balance of premium or discount) or the aggregate market value. Premium or discount of investments in debentures for investment is amortized by straight-line method over the remaining lives of debentures and accounted for as income or expenses. The market prices are based on the closing price quoted in the Bond Dealers' Club at balance sheets dates.

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The decline in value of investments is presented in the balance sheets as a deduction from related investment account. The contra-account of the decline in value of investments, held for long-term purposes, is presented as "Unrealized losses on securities for investments" which is shown under "Shareholders' Equity" in the balance sheets while the contra-account of the decline in value of investments, held for trading purposes, is presented as part of "Gains (Losses) on securities trading -Net" in the statements of income.

In the event that the decline in value of investments held for long-term purposes is considered as a permanent decline, the contra-account of the decline in value of investments as referred to above is presented as part of "Gains (Losses) on securities trading -Net" in the statements of income.

The Corporation accounts for investments in subsidiaries and associated companies by the equity accounting method in order to comply with the regulations of the Stock Exchange of Thailand. Equity in net income of associated companies of Baht 14 million and 110 million included in the statements of income for the year ended December 31, 1997 and 1996, respectively, have not been audited by auditors.

In January 1996, the Corporation sold investments in 3 subsidiaries. Based on the equity method, the gain on sale of investments in such subsidiaries amounted to Baht 18 million is shown as a part of "Equity in net income of subsidiaries and associated companies - net of goodwill amortization" in the statements of income.

In 1996, the Corporation reclassified a portion of investments in marketable securities in a subsidiary and an associated company from long-term investments to short-term investments. This caused the Corporation's percentage of shareholding in such subsidiary and associated company to be reduced from 55% to 51% and from 33.88% to 19.81% of the outstanding shares, respectively. Loss from reclassifying of such investments is reflected in "Equity in net income of subsidiaries and associated companies - net of goodwill amortization" in the statements of income.

In March 1997, the Corporation sold investments in 2 subsidiaries and 1 associated company. The gain on sale of investments in such subsidiaries and associated company amounted to approximately Baht 59 million is shown as a part of "Equity in net income of subsidiaries and associated companies - net of goodwill amortization" in the statements of income.

Foreign Currency Translation

Foreign Currency transactions during the years are converted to Thai Baht at the rates prevailing on the dates of the transactions. Assets and liabilities denominated in foreign currencies at the balance sheets dates are translated to Baht at the average rates at balance sheets dates. Foreign borrowings covered by forward contracts are translated to Baht at the rate specified in the forward contracts. Gains or losses on forward contracts or translation are credited or charged to current operations.

Earnings per Share

Earnings per share is determined by dividing the net income by the weighted average number of shares outstanding during the year. The Corporation does not present fully diluted earnings per share for comparative purposes because such earnings per share is not significantly different from the basic earnings per share.

4. RELATED PARTY TRANSACTIONS

A portion of the Corporation's investments in short-term promissory notes, investments in securities, loans, other receivables and other income arose from transactions with certain related companies. These companies are related through common shareholding and/or directorship. Those transactions with related companies as at December 31, 1997 and 1996, and for the years then ended which are included in the financial statements, are as follows:

	Consolidated Financial	
	Statements	
	In Thousand Baht	
	1997	1996
Investments in short-term promissory notes	40,000	2,252,400
Investments in securities	752,796	788,788
Loans and receivables	-	300,000
Accrued interest on investments in short-term promissory notes	1,561	38,342
Interest income on loans	-	33,842
Interest income from investments in short-term promissory notes	4,289	254,155
Interest income from investments in securities	34,800	59,569
Other income	-	11,908

	Stand Alone Financial Statements	
	In Thousand Baht	
	1997	1996
Investments in short-term promissory notes	3,867,482	6,754,200
Investments in securities	3,341,816	4,645,600
Loans and receivables	8,065,682	4,939,062
Accrued interest on investments in short-term promissory notes	51,207	79,653
Accrued interest on loans	76,747	19,285
Accrued interest on investment in securities	1,305	86,907
Interest income on loans	638,562	356,315
Interest income from investments in short-term promissory notes	773,716	737,121
Interest income from investments in securities	156,141	204,550
Other income	12,776	26,071

5. CASH IN HAND AND AT BANKS

	Consolidated Financial Statements	
	In Thousand Baht	
	1997	1996
Cash	751	630
Deposits at banks	806,685	1,044,008
Cheques in transit	-	<u>277,808</u>
Total	<u>807,436</u>	<u>1,322,446</u>

	Stand Alone Financial Statements	
	In Thousand Baht	
	1997	1996
Cash	630	272
Deposits at banks	390,232	494,657
Cheques in transit	-	<u>277,808</u>
Total	<u>390,862</u>	<u>772,737</u>

6. INVESTMENTS IN SHORT-TERM PROMISSORY NOTES

	Consolidated Financial Statements	
	In Thousand Baht	
	1997	1996
Promissory notes - at call	5,958,980	6,574,385
Promissory notes and bills of exchange - term		
- net	16,189,027	11,253,519
Total	22,148,007	17,827,904
<u>Add</u> Accrued income	409,219	210,777
<u>Less</u> Allowances for doubtful accounts	(743,509)	(204,139)
Net	<u>21,813,717</u>	<u>17,834,542</u>

	Stand Alone Financial Statements	
	In Thousand Baht	
	1997	1996
Promissory notes - at call	7,263,600	5,309,105
Promissory notes and bills of exchange - term		
- net	16,826,653	11,948,645
Total	24,090,253	17,257,750
<u>Add</u> Accrued income	347,738	204,946
<u>Less</u> Allowances for doubtful accounts	(428,030)	(18,620)
Net	<u>24,009,961</u>	<u>17,444,076</u>

Most of the promissory notes are issued by financial institutions.

Investment in short-term promissory notes on which the Corporation and subsidiaries stopped accruing interest amounted to approximately Baht 1,599 million (Baht 821 million for the Corporation's account) and Baht 53 million at the December 31, 1997 and 1996, respectively.

7. SECURITIES PURCHASED UNDER RESALE AGREEMENT

This account represents investment in government bonds issued by the Bank of Thailand. The Corporation can resale such bonds to the Bank of Thailand within the agreed period.

8. INVESTMENTS IN SECURITIES

	Consolidated Financial Statements			
	In Thousand Baht			
	1997		1996	
	Cost	Book value/ Market Value	Cost	Book value/ Market Value
<u>Securities for Trading</u>				
Debt instruments				
Private enterprises securities	585,075	496,705	3,390,630	3,382,399
<u>Less</u> Allowances for decline in value	(90,779)	-	(8,482)	-
Debt Instruments - Net	<u>494,296</u>	<u>496,705</u>	<u>3,382,148</u>	<u>3,382,399</u>
Common share securities				
Listed securities	880,226	648,638	969,598	836,448
Over - the counter trading securities	110	4	110	56
Other securities	9,293	8,662	116,320	120,083
Total	889,629	657,324	1,086,028	956,587
<u>Less</u> Allowances for decline in value	(232,305)	-	(133,397)	-
Common share securities - net	<u>657,324</u>	<u>657,324</u>	<u>952,631</u>	<u>956,587</u>
Securities for Trading - Net	<u>1,151,620</u>	<u>1,154,029</u>	<u>4,334,779</u>	<u>4,338,986</u>
<u>Securities for Investments</u>				
Debt instruments				
Government and state enterprise securities	531,192	463,710	618,794	614,132
Private enterprises securities	3,486,685	3,037,348	2,005,311	2,068,917
Other debts	<u>1,256,663</u>	<u>1,249,394</u>	<u>703,225</u>	<u>703,225</u>
Total	5,274,540	4,750,452	3,327,330	3,386,274
<u>Less</u> Allowances for decline in value	(524,088)	-	(4,509)	-
Debt Instruments - Net	<u>4,750,452</u>	<u>4,750,452</u>	<u>3,322,821</u>	<u>3,386,274</u>
Common share securities				
Listed securities (at cost method)	2,194,369	1,360,139	2,804,068	2,607,075
Listed securities (at equity method)	472,201	282,057	480,298	462,260

Consolidated Financial Statements				
In Thousand Baht				
	1997		1996	
	Cost	Book value/ Market Value	Cost	Book value/ Market Value
Over - the counter trading securities	-	-	-	-
Other securities (at cost method)	4,384,132	4,062,484	4,441,793	4,474,549
Other securities (at equity method)	264,534	295,889	292,429	1,877,888
Total	7,315,236	6,000,569	8,018,588	9,421,772
Less Allowances for decline in value	(1,500,426)	-	(536,530)	-
Common share securities- net	5,814,810	6,000,569	7,482,058	9,421,772
Securities for Investments - Net	10,565,262	10,751,021	10,804,879	12,808,046
Investments in Securities - Net	11,716,882	11,905,050	15,139,658	17,147,032

The Corporation and subsidiaries's investments in 10% or more than 10% of the outstanding shares of other companies which are included in securities for investments - common shares are as follows:

Consolidated Financial Statements				
	1997		1996	
	%	In Thousand Baht	%	In Thousand Baht
Thai Orix Leasing Co., Ltd.	35.57	192,077	35.60	198,806
Thai Sakura Finance & Securities Co., Ltd.	25.00	72,456	25.00	76,745
The Mutual Fund Public Co., Ltd.	24.23	472,202	24.23	480,298
The Industrial Management Co., Ltd.	19.99	585	19.99	585
Y.K.K. Zipper (Thailand) Co., Ltd.	19.99	15,990	19.99	15,990
Asean Potash Holding Co., Ltd.	19.90	181,850	19.90	78,800
Thai Factory Development Public Co., Ltd.	19.64	94,210	19.81	119,241

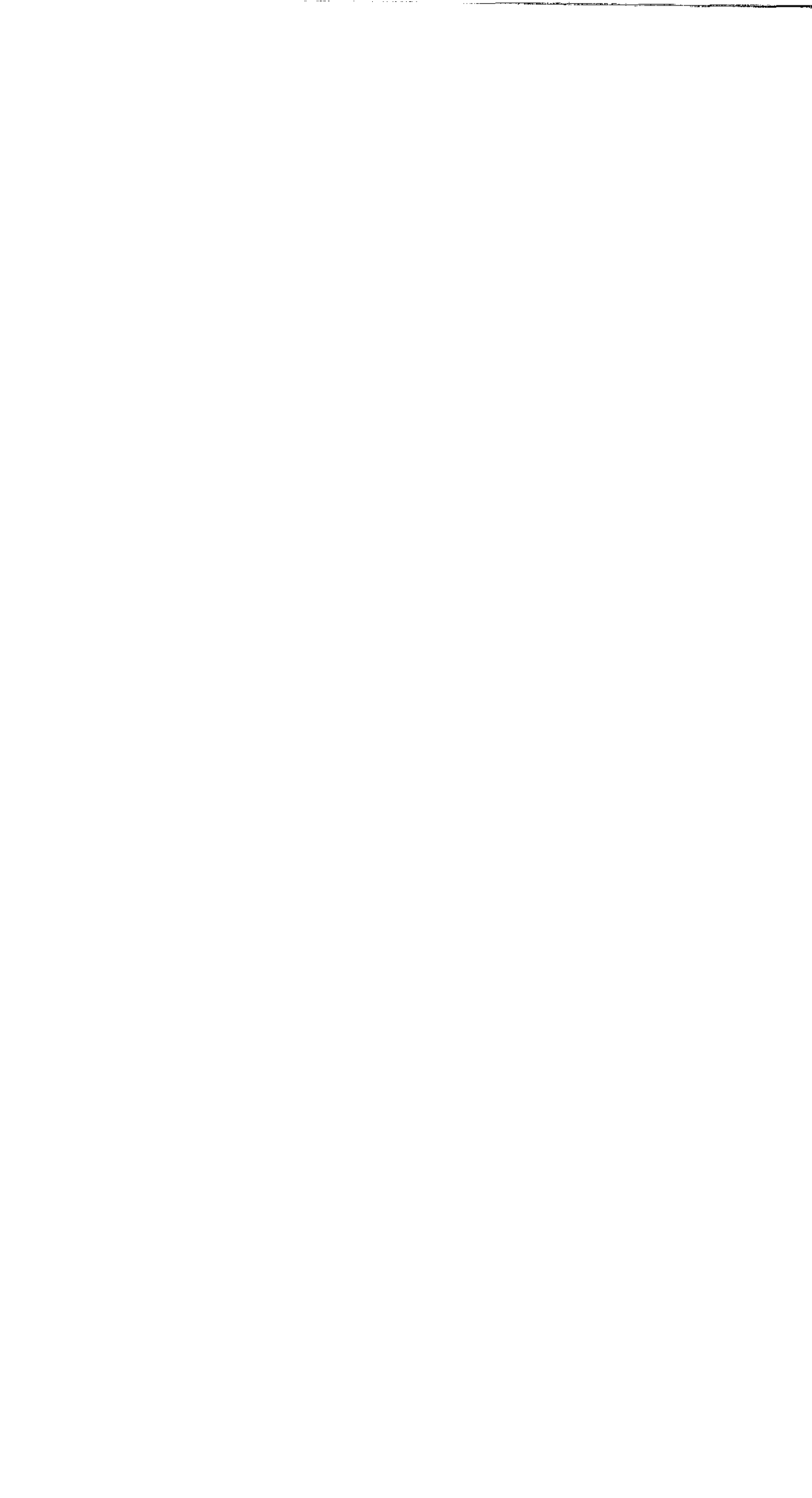
	Consolidated Financial Statements			
	1997		1996	
	%	In Thousand Baht	%	In Thousand Baht
Bangkok Visypak Co., Ltd.	19.05	13,333	19.05	13,333
Strong Pack Public Co., Ltd.	18.18	225,044	19.65	225,044
Rural Capital Partner Co., Ltd.	17.50	1,750	17.50	1,750
Bara Finance & Securities Public Co., Ltd.	15.65	126,478	14.50	104,296
Thai Castrol Oil Industry Co., Ltd.	15.40	8,689	15.40	8,689
General Agro Co., Ltd.	15.00	6,300	15.00	6,300
IFCT Nomura/JAFCO Capital Co., Ltd.	15.00	32,545	-	-
IFCT Nomura/JAFCO Holdings Co., Ltd.	15.00	17,509	-	-
Piboon Concrete Co., Ltd.	15.00	12,000	15.00	12,000
Sanwa Inter Food Co., Ltd.	15.00	15,000	15.00	12,000
National Fertilizer Public Co., Ltd.	14.16	550,173	13.50	540,000
Asset Development Co., Ltd.	14.00	9,949	23.99	16,878
Island Resort Hotel Co., Ltd.	12.61	58,450	12.61	58,450
Small Industry Credit Guarantee Corporation	11.92	47,660	11.92	47,660
Siam City Factoring Public Co., Ltd.	11.46	20,620	13.83	24,500
Usha Siam Steel Industries Co., Ltd.	11.11	48,000	11.11	48,000
Antara Holiday Park Co., Ltd.	10.00	13,000	10.00	13,000
Bangkok Casting Co., Ltd.	10.00	1,000	10.00	1,000

	Consolidated Financial Statements			
	1997		1996	
	%	In Thousand Baht	%	In Thousand Baht
Bangkok Mould Co., Ltd.	10.00	500	10.00	500
BNH Medical Centre Co., Ltd.	10.00	81,469	10.00	59,250
Eastern Sea Laem Cha Bang Terminal Co., Ltd.	10.00	26,000	10.00	26,000
Ferry Line Public Co., Ltd.	10.00	57,000	10.00	57,000
Great One Food Products Co., Ltd.	10.00	20,000	10.00	20,000
IFCT Capital Management Co., Ltd.	10.00	759	10.00	759
Lanna Agro Industry Co., Ltd.	10.00	7,000	10.00	5,000
Mae Rim Terrace Resort Co., Ltd.	10.00	25,000	10.00	25,000
Modular Samko Co., Ltd.	10.00	3,500	10.00	3,500
Pet Pak Co., Ltd.	10.00	8,000	10.00	8,000
Rivon Foods Co., Ltd.	10.00	15,000	10.00	15,000
Siam Buyck Co., Ltd.	10.00	9,000	10.00	9,000
Siam Kubota Industry Co., Ltd.	10.00	20,800	10.00	20,800
Siam Toyota Manufacturing Co., Ltd.	10.00	85,000	10.00	85,000
Small Industry Finance Corporation	10.00	30,000	10.00	30,000
Sima Thani Co., Ltd.	10.00	27,000	10.00	27,000
Sunprene (Thailand) Co., Ltd.	10.00	14,600	10.00	8,600
Thai Container Systems Co., Ltd.	10.00	26,786	10.00	26,786
Thumrin Hotel Co., Ltd.	10.00	40,000	10.00	40,000
United Iron & Steel Co., Ltd.	10.00	500	10.00	500
Lion Tyre (Thailand) Co., Ltd.	-	-	12.78	36,720
Abeno Printing Co., Ltd.	-	-	10.20	14,025
Showpla (Thailand) Co., Ltd.	-	-	10.20	15,300
Chuo Senko (Thailand) Co., Ltd.	-	-	10.20	10,404

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Stand Alone Financial Statements				
In Thousand Baht				
	1997		1996	
	Cost	Book value/ Market value	Cost	Book value/ Market value
<u>Securities for Trading</u>				
Private enterprises securities	460,699	460,335	3,180,008	3,171,526
<u>Less</u> Allowances for decline in value	(364)	-	(8,482)	-
Debt instruments -net	460,335	460,335	3,171,526	3,171,526
Common share securities				
Listed securities	522,646	438,854	572,660	565,875
<u>Less</u> Allowances for decline in value	(83,792)	-	(6,785)	-
Common share securities - net	438,854	438,854	565,875	565,875
Securities for Trading- net	899,189	899,189	3,737,401	3,737,401
<u>Securities for Investments</u>				
Private enterprises securities	3,524,875	3,170,936	230,000	294,263
<u>Less</u> Allowances for decline in value	(353,939)	-	-	-
Debt instruments -net	3,170,936	3,170,936	230,000	294,263
Common share securities				
Listed securities (At cost method)	2,048,695	1,333,343	2,630,005	2,431,738
Listed securities (At equity method)	2,731,685	1,068,094	3,887,679	3,927,710
Other securities (At cost method)	3,599,171	3,531,146	3,215,294	3,309,548
Other securities (At equity method)	267,504	298,109	330,103	1,920,738
Total	8,647,055	6,230,692	10,063,081	11,589,734
<u>Less</u> Allowances for decline in value	(1,157,246)	-	(469,782)	-



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Stand Alone Financial Statements				
In Thousand Baht				
1997		1996		
	Cost	Book value/ Market value	Cost	Book value/ Market value
Common share securities - net	7,489,809	6,230,692	9,593,299	11,589,734
Securities for Investments - net	10,660,745	9,401,628	9,823,299	11,883,997
Investments in Securities - net	11,559,934	10,300,817	13,560,700	15,621,398

The Corporation's investments in 10% or more than 10% of the outstanding shares of other companies which are included in securities for investments- common shares are as follows:

Stand Alone Financial Statements				
1997		1996		
	%	In Thousand Baht	%	In Thousand Baht
IFCT Advisory Co., Ltd.	100.00	2,971	-	-
First City Investment Public Co., Ltd.	56.69	1,752,550	51.00	2,626,055
IFCT Finance & Securities Public Co., Ltd.	55.78	506,932	51.00	781,326
Thai Orix Leasing Co., Ltd.	35.57	192,077	35.60	198,806
Thai Sakura Finance & Securities Co., Ltd.	25.00	72,456	25.00	76,745
The Mutual Fund Public Co., Ltd.	24.23	472,202	24.23	480,298
The Industrial Management Co., Ltd.	19.99	585	19.99	585

	Stand Alone Financial Statements			
	1997		1996	
	%	In Thousand Baht	%	In Thousand Baht
Y.K.K. Zipper (Thailand) Co., Ltd.	19.99	15,990	19.99	15,990
Asean Potash Holding Co.,Ltd.	19.90	181,850	19.90	78,800
Thai Factory Development Public Co., Ltd.	19.64	94,210	19.81	119,241
Bangkok Visypak Co., Ltd.	19.05	13,333	19.05	13,333
Strong Pack Public Co., Ltd.	18.18	225,044	19.65	225,044
Rural Capital Partner Co., Ltd.	17.50	1,750	17.50	1,750
Bara Finance & Securities Public Co., Ltd.	15.65	126,478	14.50	104,296
Thai Castrol Oil Industry Co., Ltd.	15.40	8,689	15.40	8,689
General Agro Co., Ltd.	15.00	6,300	15.00	6,300
IFCT Nomura/Jafco Capital Co., Ltd.	15.00	32,545	51.00	37,674
IFCT Nomura/Jafco Holdings Co., Ltd.	15.00	17,509	51.00	-
Piboon Concrete Co., Ltd.	15.00	12,000	15.00	12,000
Sanwa Inter Food Co., Ltd.	15.00	15,000	15.00	12,000
National Fertilizer Public Co., Ltd.	14.16	550,173	13.50	540,000
Asset Development Co., Ltd.	14.00	9,949	23.99	16,878
Island Resort Hotel Co., Ltd.	12.61	58,450	12.61	58,450
Small Industry Credit Guarantee Corporation	11.92	47,660	11.92	47,660



	Stand Alone Financial Statements			
	1997		1996	
	%	In Thousand Baht	%	In Thousand Baht
Siam City Factoring Public Co., Ltd.	11.46	20,620	13.83	24,500
Usha Siam Steel Industries Co., Ltd.	11.11	48,000	11.11	48,000
Antara Holiday Park Co., Ltd.	10.00	13,000	10.00	13,000
Bangkok Casting Co., Ltd.	10.00	1,000	10.00	1,000
Bangkok Mould Co., Ltd.	10.00	500	10.00	500
BNH Medical Centre Co., Ltd.	10.00	81,469	10.00	59,250
Eastern Sea Laem Chabang Terminal Co., Ltd.	10.00	26,000	10.00	26,000
Ferry Line Public Company Limited	10.00	57,000	10.00	57,000
Great One Food Products Co., Ltd.	10.00	20,000	10.00	20,000
IFCT Capital Management Co., Ltd.	10.00	759	10.00	759
Lanna Agro Industry Co., Ltd.	10.00	7,000	10.00	5,000
Mae Rim Terrace Resort Co., Ltd.	10.00	25,000	10.00	25,000
Modular Samko Co., Ltd.	10.00	3,500	10.00	3,500
Pet Pak Co., Ltd.	10.00	8,000	10.00	8,000
Rivon Foods Co., Ltd.	10.00	15,000	10.00	15,000
Siam Buyck Co., Ltd.	10.00	9,000	10.00	9,000
Siam Kubota Industry Co., Ltd.	10.00	20,800	10.00	20,800
Siam Toyota Manufacturing Co., Ltd.	10.00	85,000	10.00	85,000

	Stand Alone Financial Statements			
	1997		1996	
	%	In Thousand Baht	%	In Thousand Baht
Small Industry Finance				
Corporation	10.00	30,000	10.00	30,000
Sima Thani Co., Ltd.	10.00	27,000	10.00	27,000
Sunprene (Thailand) Co., Ltd.	10.00	14,600	10.00	8,600
Thai Container Systems				
Co.,Ltd.	10.00	26,786	10.00	26,786
Thumrin Hotel Co., Ltd.	10.00	40,000	10.00	40,000
United Iron & Steel Co., Ltd.	10.00	500	10.00	500

As at December 31, 1997, the two subsidiaries; First City Investment Public Co., Ltd. and IFCT Finance & Securities Public Co., Ltd., did not provide allowances for possible losses on investments in debentures and accrued interest receivables of certain financial institutions which operations have been closed by the order of the Ministry of Finance and investments in debentures of which debentures issuers have defaulted in the payment of interest to them totalling approximately Baht 687 million. The management of both companies are negotiating for the changes to the Negotiated Certificate of Deposits of Krung Thai Bank Public Co., Ltd. in the case of senior debentures. The management also believe that the Companies can share the proceeds or transfer the debts to equity in the future, in the case of subordinate debentures. In addition, the management are negotiating with the debentures issuers and expected to get the full payments at the end. The ultimate outcome of these matters cannot presently be determined. Consequently, subsidiaries did not purpose to provide the allowances for the possible losses of the said investments in their accounts.

The Corporation accounts for investments for which it owns more than 20% of investees outstanding shares by the equity method. Equity in deficit of one subsidiary in excess of the Corporation's investment amounted to approximately Baht 11.9 million are shown as a deduction from accrued interest income on loans to such subsidiary which is shown as a part of "Other Assets" in balance sheets.

9. INVESTMENT IN SECURITY UNDER RESALE AGREEMENT

On May 7, 1997, the Financial Institutions Development Fund (FIDF) and the Corporation (IFCT) jointly signed the contract whereby FIDF has sold to IFCT 18.5% of Bangkok Bank of Commerce Public Co., Ltd. (BBC) total paid-up share capital at the par value of Baht 10. IFCT recorded the said investment at amount equal to the payment at 5% of total contract price. IFCT is required to pay for the remaining value of such shares by annual installments at amounts and periods prescribed in the contract. The right (if any) to purchase the shares from the increase in share capital and to receive the dividend arose from the common shares will be transferred to FIDF within 7 years commencing from the date in the contract and FIDF agrees to repurchase such shares from IFCT at the price purchased by IFCT plus the interest at the rate of MLR minus 2.5% p.a. of the payment on such shares.

On December 31, 1997, FIDF has sold additional shares of BBC to IFCT at the par value of Baht 10 and IFCT paid for such investment at 5% of total contract price by issuing non-transferable promissory notes which will be due within six months with interest rate at the MLR minus 2.5% p.a. As a result, it caused the percentage of shareholding of IFCT in BBC as at December 31, 1997 to be 26.2%. The Corporation accounts for the said investment under "Investment in security under resale agreement" in balance sheets.

On February 5, 1998, the Corporation resold the said investment in BBC back to FIDF for approximately Baht 478 million based on the conditions prescribed in the contract date May 7, 1997.

10. LOANS, RECEIVABLES AND ACCRUED INTEREST RECEIVABLES

1) Classified by Types of Contracts

	<u>Consolidated Financial Statements</u>	
	<u>In Thousand Baht</u>	
	<u>1997</u>	<u>1996</u>
Working capital receivables	39,359,061	29,960,295
Hire-purchase and other installment receivables - net	9,186,040	7,989,971
Long-term loans	<u>128,569,080</u>	<u>87,197,713</u>
Total	177,114,181	125,147,979
<u>Add</u> Accrued interest receivables and fees	5,465,205	2,530,101
<u>Less</u> Allowances for doubtful accounts	(3,676,850)	(1,001,959)
Loans and Receivables - Net	<u>178,902,536</u>	<u>126,676,121</u>

	Consolidated Financial Statements	
	In Thousand Baht	
	1997	1996
Securities business receivables	1,313,938	2,784,291
Advance to customers	49,248	106,346
Total	1,363,186	2,890,637
<u>Add</u> Accrued interest receivables	63,074	45,734
<u>Less</u> Allowances for doubtful accounts	(322,615)	(66,184)
Securities Business Receivables - Net	1,103,645	2,870,187
Loans, Receivables and Accrued Interest Receivables - Net	180,006,181	129,546,308
	Stand Alone Financial Statements	
	In Thousand Baht	
	1997	1996
Working capital receivables	45,544,744	32,899,358
Hire-purchase and other installment receivables - net	28,818	86,568
Long-term loans	109,686,199	71,106,995
Total	155,259,761	104,092,921
<u>Add</u> Accrued interest receivables and fees	4,062,109	1,916,610
<u>Less</u> Allowances for doubtful accounts	(2,394,960)	(858,573)
Loans, Receivables and Accrued Interest Receivables- Net	156,926,910	105,150,958

Deferred income amounting to Baht 19.6 million (Baht 6.4 million for the Corporation's account) and Baht 50 million (Baht 37.1 million for the Corporation's account) as at December 31, 1997 and 1996, respectively, are shown as deductions from the above loans and receivables.

Delinquent loans and receivables on which the Corporation and subsidiaries stopped accruing interest amounted to approximately Baht 19,998.1 million (Baht 14,114.4 million for the Corporation's account) and Baht 4,913.2 million (Baht 2,432.9 million for Corporation's account) at December 31, 1997 and 1996, respectively.

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2) Classified by Remaining Periods of Contracts

	Consolidated Financial Statements	
	In Thousand Baht	
	1997	1996
At call	25,789,094	12,417,118
Not over one year	41,729,525	49,833,883
Over one year	<u>109,595,562</u>	<u>62,896,978</u>
Total Loans and Receivables	<u>177,114,181</u>	<u>125,147,979</u>

	Stand Alone Financial Statements	
	In Thousand Baht	
	1997	1996
At call	15,330,836	7,078,069
Not over one year	38,861,962	40,968,656
Over one year	<u>101,066,963</u>	<u>56,046,196</u>
Total Loans and Receivables	<u>155,259,761</u>	<u>104,092,921</u>

3) Classified by types of businesses

	Consolidated Financial Statements	
	In Thousand Baht	
	1997	1996
Agricultural and mining	15,876,889	7,360,198
Manufacturing and commercial	106,814,641	82,225,933
Real estate business and construction	12,804,685	10,823,865
Utilities and services	40,632,702	23,996,310
Housing loans	280,810	192,785
Others	<u>2,067,640</u>	<u>3,439,525</u>
Total Loans and Receivables	<u>178,477,367</u>	<u>128,038,616</u>

	Stand Alone Financial Statements	
	1997	1996
Agricultural and mining	14,905,340	6,484,222
Manufacturing and commercial	95,078,085	71,549,824
Real estate business and construction	1,251,791	1,161,451
Utilities and services	44,024,545	24,897,424
Others	-	-
Total Loans and Receivables	<u>155,259,761</u>	<u>104,092,921</u>

11. ALLOWANCES FOR DOUBTFUL ACCOUNTS

	Consolidated Financial Statements	
	In Thousand Baht	
	1997	1996
Beginning balance	1,068,143	883,824
<u>Add</u> Doubtful accounts	2,937,201	193,047
<u>Less</u> Bad debts written-off	(5,879)	(8,728)
Ending balance	<u>3,999,465</u>	<u>1,068,143</u>

	Stand Alone Financial Statements	
	In Thousand Baht	
	1997	1996
Beginning balance	858,573	698,462
<u>Add</u> Doubtful accounts	1,540,731	168,839
<u>Less</u> Bad debts written-off	(4,344)	(8,728)
Ending balance	<u>2,394,960</u>	<u>858,573</u>

The two subsidiaries; First City Investment Public Co., Ltd. and IFCT Finance & Securities Public Co., Ltd., provide allowances for doubtful accounts for loans receivable which are classified as doubtful assets and sub-standard assets under the criteria set by the Bank of Thailand. Those subsidiaries valued collaterals based on values appraised by the management and/or the former appraised values of independent appraisers without any reappraisal of collateral values as the management believe that the current collateral values are not different from the appraisal previously made and allowances for doubtful accounts provided in accounts are adequate for the possible losses.

12. LAND, BUILDINGS AND EQUIPMENT

	Consolidated Financial Statements	
	In Thousand Baht	
	1997	1996
Land		
Original cost	697,519	692,516
Appraisal increment (1992)	504,055	504,055
Buildings		
Original cost	736,101	696,785
Appraisal increment (1992)	267,995	267,995
Furniture, fixtures, office equipment and computer	399,311	369,929
Transportation equipment	137,999	143,020
Construction in progress	295,266	176,195
Leasehold right	16,298	13,425
Total	3,054,544	2,863,920
<u>Less</u> Accumulated depreciation		
On cost	(599,506)	(500,645)
On appraisal increment	(136,532)	(113,126)
Net	<u>2,318,506</u>	<u>2,250,149</u>

	Stand Alone Financial Statements	
	In Thousand Baht	
	1997	1996
Land		
Original cost	509,556	504,552
Appraisal increment (1992)	504,055	504,055
Buildings		
Original cost	466,644	427,252
Appraisal increment (1992)	267,995	267,995
Furniture, fixtures, office equipment and computer	265,360	251,520

	Stand Alone Financial Statements	
	In Thousand Baht	
	1997	1996
Transportation equipment	104,092	106,185
Construction in progress	295,266	175,556
Leasehold right	7,130	6,464
Total	2,420,098	2,243,579
<u>Less Accumulated depreciation</u>		
On cost	(440,785)	(376,777)
On appraisal increment	(136,532)	(113,126)
Net	<u>1,842,781</u>	<u>1,753,676</u>

Depreciation charges to operating expenses in 1997 and 1996 are Baht 122.4 million (Baht 80.1 million for the Corporation's account) and Baht 108.1 million (Baht 70.4 million for the Corporation's account), respectively.

13. OTHER ASSETS

	Consolidated Financial Statements	
	In Thousand Baht	
	1997	1996
Long-term investments	1,543,353	1,711,544
Other receivables and advances	3,200,606	1,403,551
Accrued interest and dividends	394,009	232,085
Excess of cost over book value of investments		
in subsidiaries	<u>704,941</u>	<u>881,954</u>
Total	<u>5,842,909</u>	<u>4,229,134</u>

	Stand Alone Financial Statements	
	In Thousand Baht	
	1997	1996
Long-term investments	1,543,353	1,711,544
Other receivables and advances	2,903,050	1,243,437
Accrued interest and dividends	<u>285,918</u>	<u>195,144</u>
Total	<u>4,732,321</u>	<u>3,150,125</u>

Most of long-term investments represent investments in foreign currency financial instruments which are to protect exchange risk.

14. NOTES PAYABLE

	Consolidated Financial Statements	
	In Thousand Baht	
	1997	1996
Notes payable - at call	8,233,356	13,227,026
- terms	23,652,991	19,002,704
Long-term notes payable	4,297,541	4,507,546
Rediscounted notes	210,602	83,023
Bills of exchange - net	<u>10,188,132</u>	<u>15,978,316</u>
Total	<u>46,582,622</u>	<u>52,798,615</u>

	Stand Alone Financial Statements	
	In Thousand Baht	
	1997	1996
Notes payable - at call	6,747,282	7,812,000
- terms	8,339,300	5,843,116
Long-term notes payable	3,709,621	4,257,290
Rediscounted notes	210,602	83,023
Bills of exchange - net	<u>9,024,859</u>	<u>10,733,255</u>
Total	<u>28,031,664</u>	<u>28,728,684</u>

15. BORROWINGS

	Consolidated Financial Statements	
	In Thousand Baht	
	1997	1996
Local borrowings	3,614,288	4,257,274
Foreign short-term borrowings	14,854,868	10,924,084
Foreign long-term borrowings on currency swap to Baht	4,003,012	4,193,193
Foreign long-term borrowings in foreign currencies	<u>24,458,928</u>	<u>16,436,069</u>
Total	<u>46,931,096</u>	<u>35,810,620</u>

	Stand Alone Financial Statements	
	In Thousand Baht	
	1997	1996
Local borrowings	3,614,288	3,802,593
Foreign short-term borrowings	14,472,571	10,847,254
Foreign long-term borrowings on currency swap to Baht	3,472,012	4,193,193
Foreign long-term borrowings in foreign currencies	20,847,418	13,560,839
Total	<u>42,406,289</u>	<u>32,403,879</u>

Details of foreign currency borrowings which are converted to Baht at average bank selling rates at the balance sheets dates are as follows:

CURRENCY	Consolidated Financial Statements			
	1997		1996	
	In foreign currency '000	In Thousand Baht	In foreign currency '000	In Thousand Baht
USD	788,412	35,671,684	982,858	25,195,636
Yen	8,912,142	3,240,317	8,517,749	1,889,663
DM	10,000	264,231	10,000	165,250
BEF	81,250	104,565	87,500	70,604
Baht		<u>7,650,299</u>		<u>8,489,467</u>
Total		<u>46,931,096</u>		<u>35,810,620</u>

CURRENCY	Stand Alone Financial Statements			
	1997		1996	
	In foreign currency '000	In Thousand Baht	In foreign currency '000	In Thousand Baht
USD	677,412	32,005,675	866,858	22,243,576
Yen	8,010,567	2,912,518	8,517,749	1,889,663
DM	10,000	264,231	10,000	165,250
BEF	81,250	104,565	87,500	70,604
Baht		<u>7,119,300</u>		<u>8,034,786</u>
Total		<u>42,406,289</u>		<u>32,403,879</u>

The above loans bear interest at different rates. Some are interest-free and some are interest exempted for a period of time. They are scheduled to be repaid either on a semi-annual or annual basis until 2031. Most of the foreign loans with specific use are guaranteed by the Thai Government and will be on-lent under the conditions set forth. Foreign borrowings from capital markets require no specific use.

Under the term of the borrowing agreements with Kreditanstalt für Wiederaufbau (KfW), the Corporation is required to pay interest only at 2% of borrowings from KfW. The balance of interest is granted to the Corporation to maintain as a special fund. This special fund is restricted for use in training, to compensate the losses from foreign currency swap of borrowings from KfW and others. As of December 31, 1997 and 1996, the balance of this special fund are Baht 78.4 million and Baht 73.6 million, respectively, and are presented as part of "Accounts payable and accrued expenses" in the balance sheets.

Foreign long - term borrowings with specific uses are as follows:

- Borrowings from Nordic Investment Bank (NIB) for joint ventures with Nordic countries or business using Nordic machinery / equipments have outstanding balance amounted to USD 118.06 million or approximately Baht 5,578.0 million with the remaining terms of 17.5 years.
- Borrowings from the Sweden Government for business using Sweden machinery/equipments have outstanding balance amounted to USD 22.07 million or approximately Baht 1,042.7 million with the remaining terms of 5.5 years.
- Borrowings from the Danish Government for business using Danish machinery/equipments have outstanding balance amounted to USD 4.22 million or approximately Baht 199.4 million with the remaining terms of 10 years.
- Borrowings from the Belgium Government for business using Belgium machinery / equipments have outstanding balance amounted to BEF 81.25 million or approximately Baht 104.6 million with the remaining terms of 13 years.
- Borrowings from the Export - Import Bank of the United States of America for business using America machinery/equipments have outstanding balance amounted to USD 3.28 million or approximately Baht 155.0 million with the remaining terms of 1 years.

- Borrowings from The Overseas Economic Corporation Fund (OECF) for export business, small industry business and pollution protection investment business have outstanding balance amounted to YEN 6,263.07 million or approximately Baht 2,277.2 million with the remaining terms of 22 years.
- Borrowings from Kreditanstalt fur Wiederaufbau (KfW) for small industry business have outstanding balance amounted to DM 10.0 million or approximately Baht 264.2 million with the remaining terms of 34.5 years.

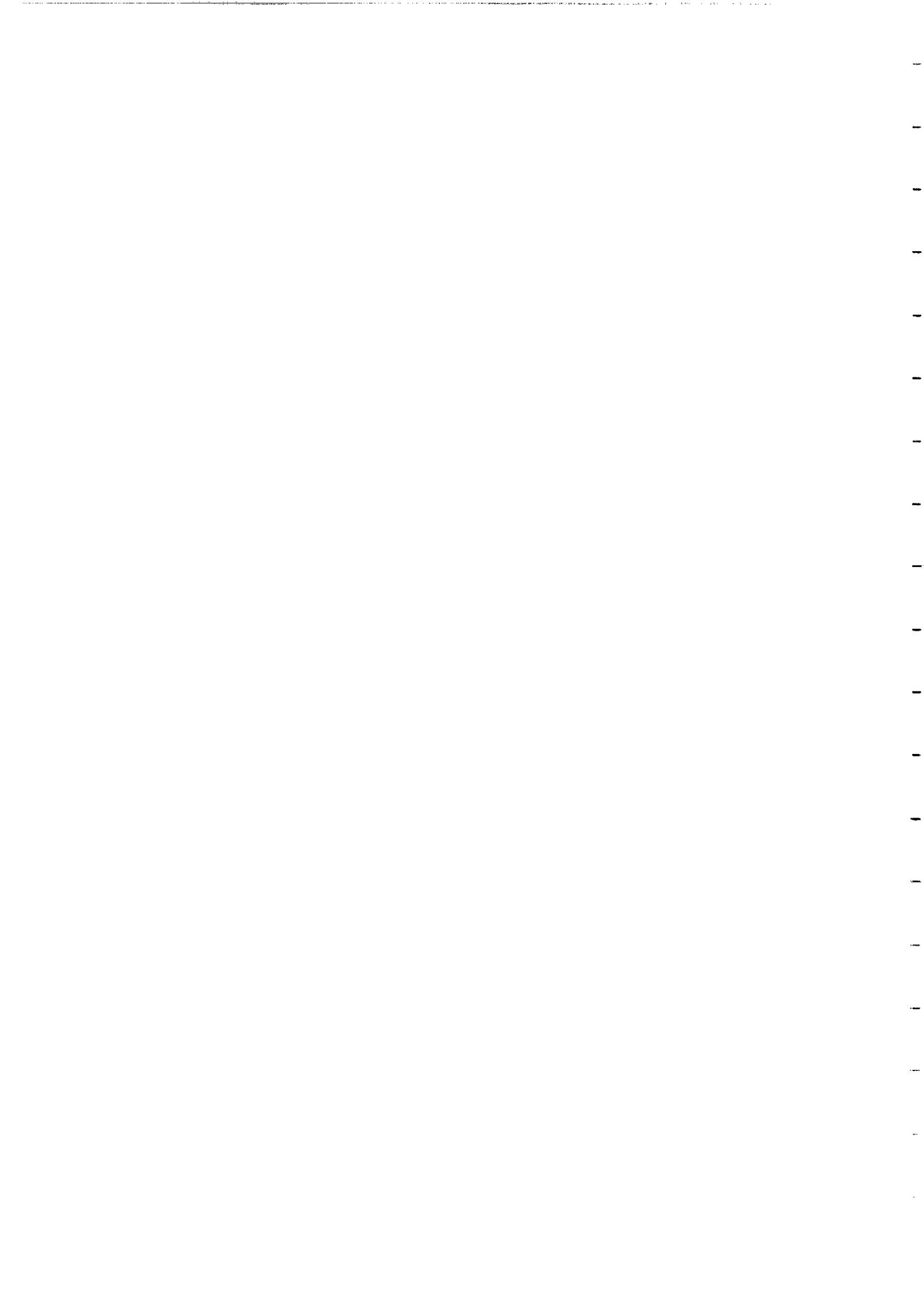
Under the terms of the above mentioned borrowing agreements, the Corporation is required to conform with the terms and conditions as stated in the agreements.

In 1997 and 1996, the Corporation managed some foreign debts with exchange risks by means of currency swap and interest rate swap. This is to be on-lent to customers with no foreign exchange risk to the Corporation.

16. DEBENTURES

As at December 31, these consist of debentures with various interest rates and redemption as follows:

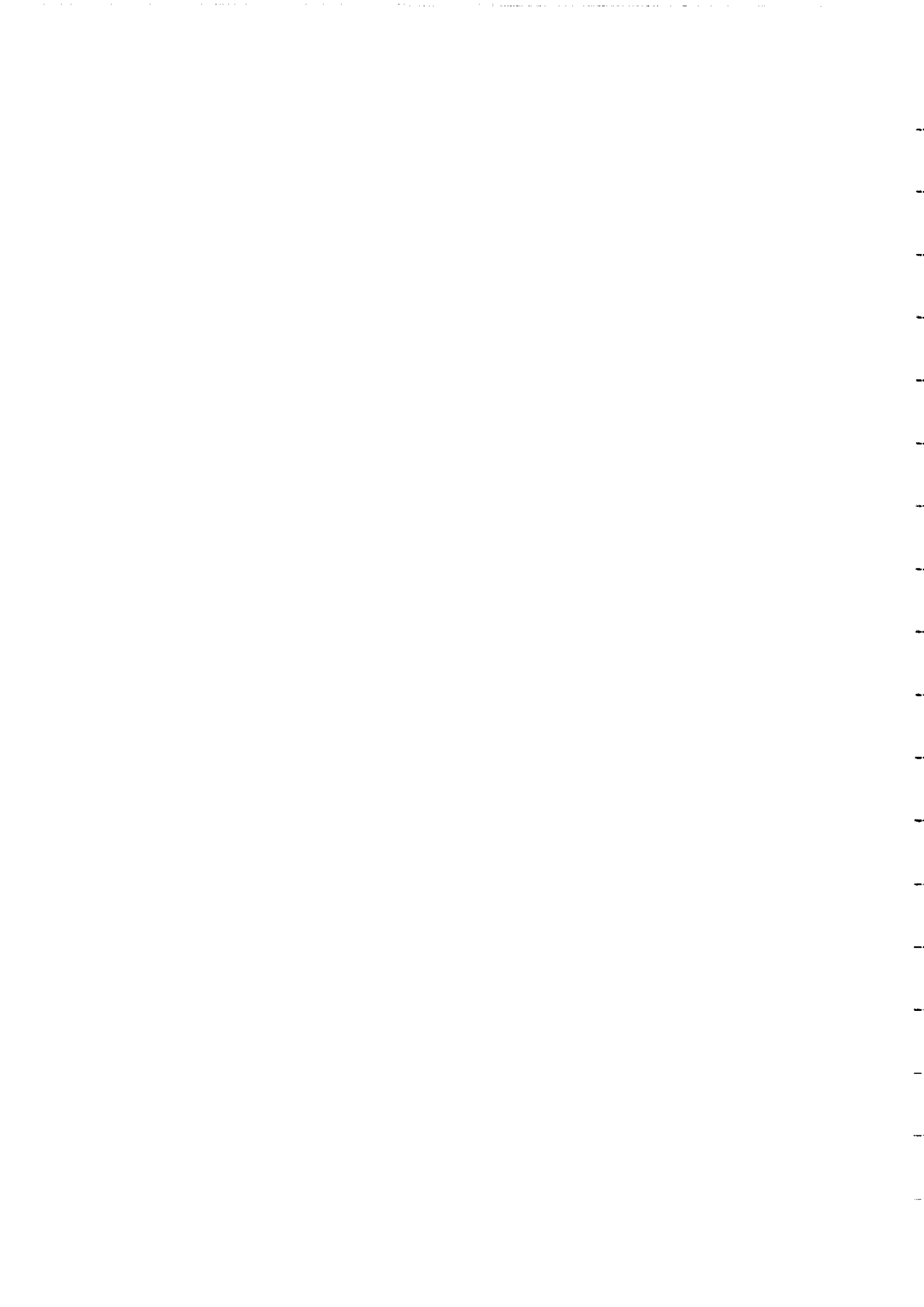
	<u>Consolidated Financial Statements</u>	
	<u>In Million Baht</u>	
	<u>1997</u>	<u>1996</u>
<u>Redeemable in</u>		
1997	-	11,337.98
1998	10,980.68	5,530.63
1999	12,470.81	11,996.22
2000	18,609.75	11,615.49
2001	9,468.44	8,074.95
After 2001-2010	<u>63,267.04</u>	<u>11,988.93</u>
Total	114,796.72	60,544.20
<u>Less</u> Discount	(217.22)	(42.50)
Net	<u>114,579.50</u>	<u>60,501.70</u>



	<u>Stand Alone Financial Statements</u>	
	<u>In Million Baht</u>	
	<u>1997</u>	<u>1996</u>
<u>Redeemable in</u>		
1997	-	11,990.00
1998	12,253.68	5,548.63
1999	12,575.37	12,110.62
2000	18,761.42	11,746.09
2001	9,532.80	8,139.30
After 2001-2010	<u>63,398.85</u>	<u>12,140.68</u>
Total	116,522.12	61,675.32
<u>Less Discount</u>	(217.22)	(42.50)
Net	<u>116,304.90</u>	<u>61,632.82</u>

In December 1993, the Corporation issued 2,000,000 debentures at Baht 1,000 face value totalling Baht 2,000 million for 7 year terms at an interest rate of 2.875% per annum with detachable warrants to purchase common shares. 30 units of warrants were granted for each debenture and the holder of each warrant has the option to purchase 1.18846 common shares at the price of Baht 57 per common share for Baht 10 par value. The warrant is exercisable within 4 years and expired in November 1997.

The Corporation recorded all the proceeds of Baht 2,000 million from the issuance of debenture with stock purchase warrant as costs of debentures. The Corporation did not allocate the proceed as costs of debentures and warrants based on their relative fair values at time of issuance. Had the proceeds been allocated for debentures and warrants based on the present value of a 7 years debenture at 7.25% interest per annum, discount on debentures would have been reported at Baht 474 million and book value of warrants would also have been shown at Baht 474 million. If the Corporation was to amortize discount on debentures on the interest method over the life of debentures of 7 years, interest expense in the consolidated statements of income for the years ended December 31, 1997 and 1996 would have been increased by Baht 67.0 million and Baht 62.4 million, respectively, and earnings per share for the years ended December 31, 1997 and 1996 would have been decreased by Baht 0.12 per share and Baht 0.11 per share, respectively. Up to December 31, 1997, some holders of warrants exercised their options to purchase 142,358 common shares with 169,181 units of warrant and the increase in share capital was registered with the Ministry of Commerce on May 16, 1997.



17. REGISTERED PROVIDENT FUND

The Corporation has a non-funded provident fund under the regulations on non-funded employees' provident fund B.E. 2525 covering substantially all of its permanent employees. Contributions to the fund are made solely by the Corporation at rates ranging from 5% to 10% of the employees' basic salaries based on length of employment.

Effective from January 1, 1996, the Corporation established a contributory employees' provident fund for its employees. The fund was registered with the Ministry of Finance as a juristic entity under the provisions of the provident fund Act. B.E. 2530. Membership to the fund is on a voluntary basis. Contributions are made monthly by the permanent employees at the rate ranging from 3% to 10% of their basic salaries and by the Corporation at the rate ranging from 5% to 10% of their basic salaries based on length of employment.

The Corporation's contribution to the above funds in 1997 and 1996 approximately Baht 27.7 million and Baht 23.8 million, respectively.

The two subsidiaries established a contributory employees' provident fund for their employees. Contribution are made monthly by employees at the various rates of their basic salaries and by the Companies at the various rates of their basic salaries based on length of employment.

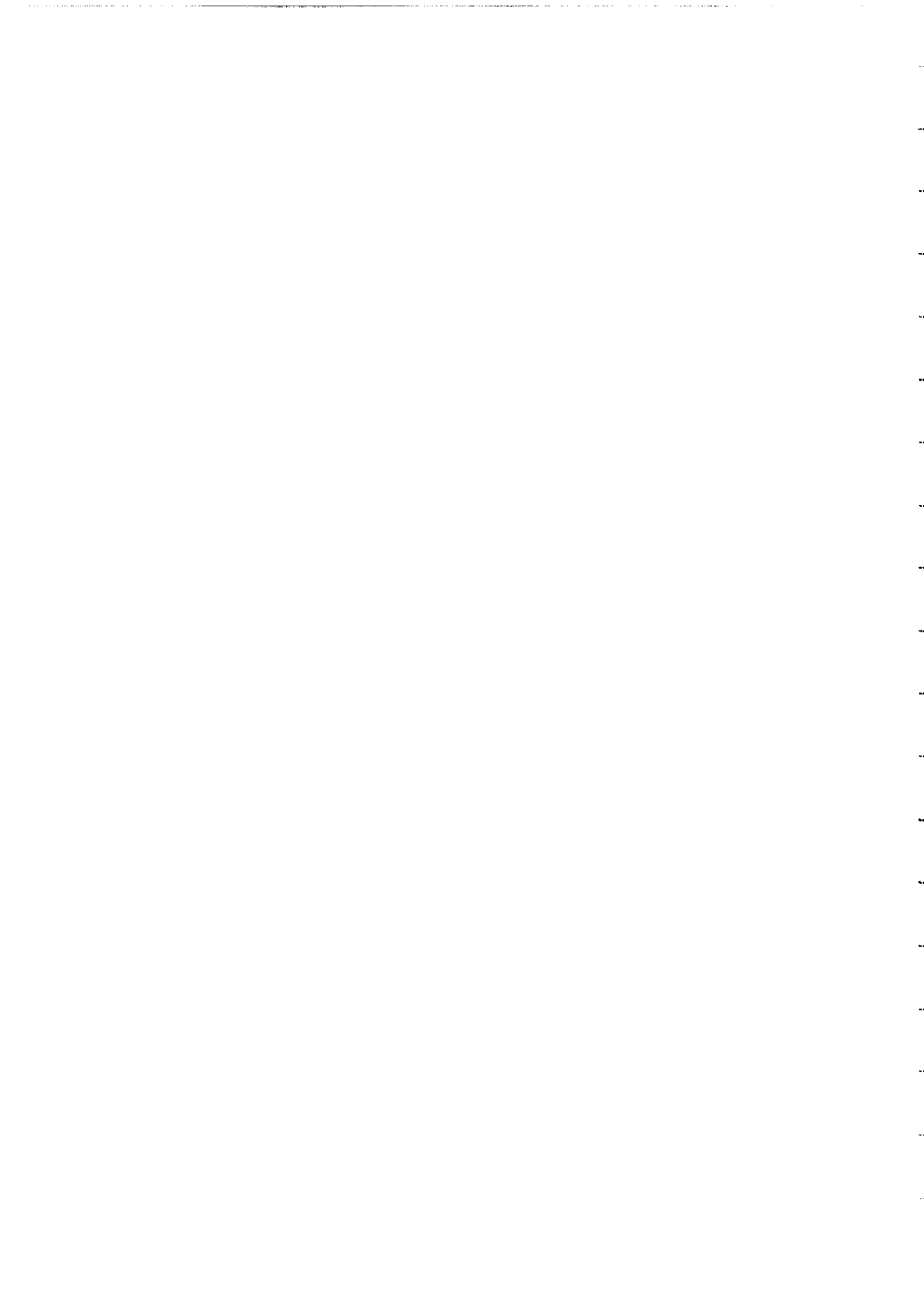
18. SHARE CAPITAL

On January 23, 1998, the shareholders of the Corporation passed a special resolution at the 1/1998 Extraordinary Meeting (to ratify the minutes of the 38th Ordinary General Meeting held on April 25, 1997) to approve the increase in share capital for Baht 5,000 million, from Baht 7,000 million to Baht 12,000 million, by issuing 500 million new common shares at Baht 10 par value. This can be made by issuing common shares and/or convertible debentures and/or warrants to purchase common shares, based on the board of directors' consideration.

19. APPROPRIATION OF RETAINED EARNINGS

Legal Reserve

Under the provisions of the Civil and Commercial Code of Thailand, the Corporation is required to appropriate at least 5% of its net income as legal reserve at each dividend declaration. This requirement shall cease to be compulsory when the reserve equals 10% of the authorized capital. The reserve is not available for dividend distribution.



Special Reserve

	Consolidated and Stand Alone Financial Statements	
	In Thousand Baht	
	1997	1996
Reserves for bad debts and possible losses		
on investments	2,019,406	1,538,675
General reserve	1,986	1,986
Reserve for business expansion	1,600,000	800,000
Total	3,621,392	2,340,661

Reserves for doubtful accounts and possible losses on investments are appropriated from retained earnings only when the total allowance for doubtful accounts and possible losses on investments, provided in accordance with generally accepted accounting principles, in any year are less than 25% of net income. The Corporation appropriated Baht 481 million in 1997 as reserves for bad debts and possible losses on investments.

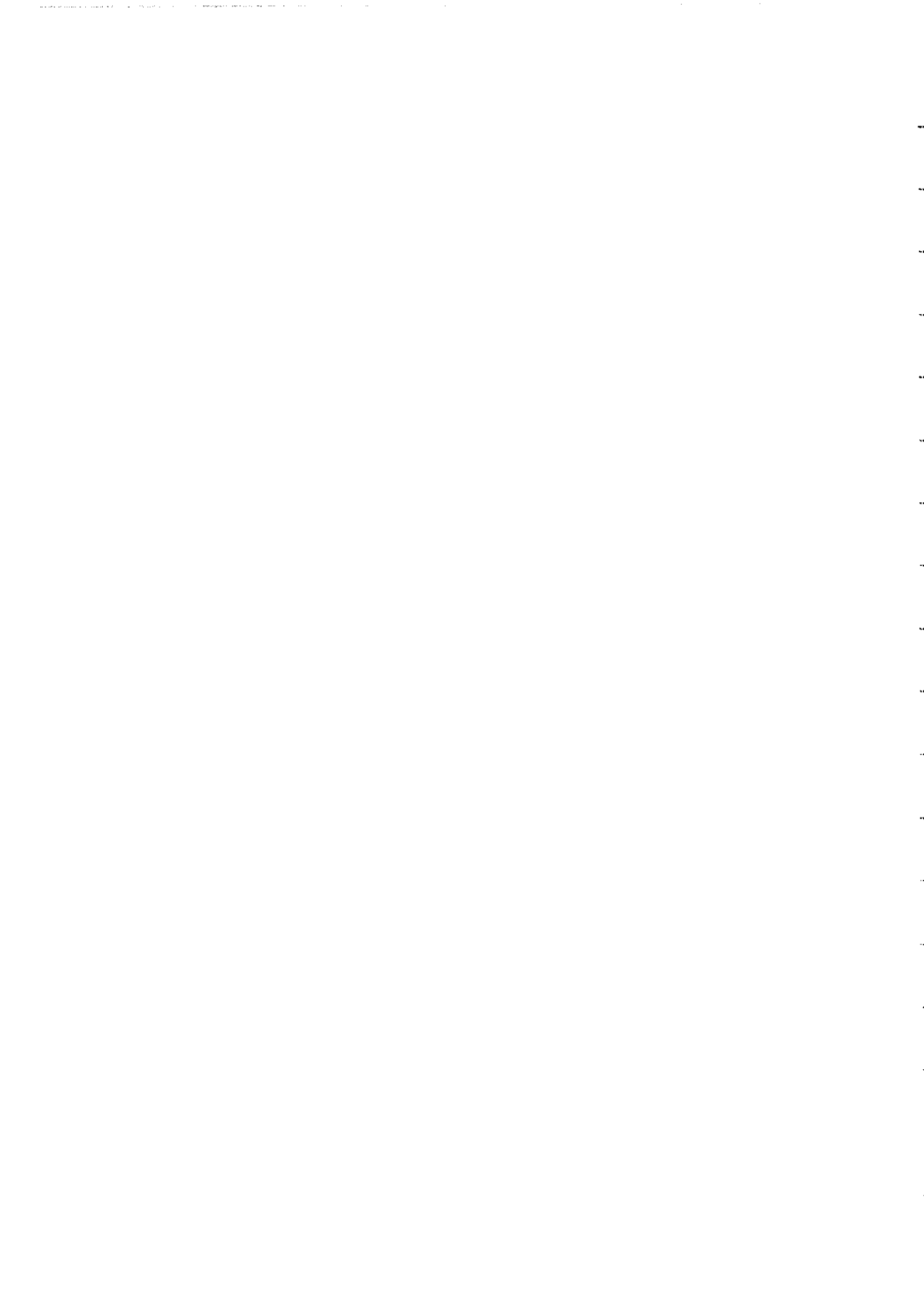
The Corporation has the on-going constructions to expand head - office building to support the business expansion. Therefore, the Corporation appropriated Baht 800 million from the net income of 1996 as reserve for business expansion.

Reserve Required under Borrowing Agreements

Under the terms of certain borrowing agreements, the Corporation is required to set aside its unappropriated retained earnings as a reserve for expansion programs and for relending purposes. The amounts of annual appropriation is defined in the respective agreements.

Reserve for Dividend

On April 25, 1997, the Meeting of shareholders passed a resolution to approve the dividend payment for the year 1996 at Baht 2.25 per share amounting to Baht 1,225,726,042 for 544,767,130 common shares.



20. LOSSES ON EXCHANGE

Losses on exchange charged to expenses during the years are as follows:

	Consolidated Financial Statements	
	In Thousand Baht	
	1997	1996
Provision for losses on exchange	146	138
Amortization on deferred expenses		
from foreign currency swap	99,159	105,845
Losses (gains) on exchange rate	31,358	(25,071)
Deferred exchange losses under		
exchange risk agreement-written off	55,812	91,616
Total	<u>186,475</u>	<u>172,528</u>

	Stand Alone Financial Statements	
	In Thousand Baht	
	1997	1996
Provision for losses on exchange	146	138
Amortization on deferred expenses		
from foreign currency swap	99,159	105,845
Losses (gains) on exchange rate	13,380	(25,418)
Deferred exchange losses under		
exchange risk agreement-written off	55,812	91,616
Total	<u>168,497</u>	<u>172,181</u>

21. MINORITY INTEREST

	Consolidated Financial Statements	
	In Thousand Baht	
	1997	1996
Minority interest	1,363,190	2,392,666
<u>Less</u> Unrealized losses on securities for		
investments of subsidiaries	224,672	34,916
Net	<u>1,138,518</u>	<u>2,357,750</u>

22. MANAGEMENT AGREEMENT UNDER THE REHABILITATION SCHEME

IFCT and BBC signed a Management Agreement with an objective of rehabilitating BBC's operations. The term of the agreement is for 7 years. IFCT shall receive a management fee of Baht 36 million per year and profit sharing which is calculated from net profit duly verified by the Bank of Thailand at the rates prescribed in the agreement.

23. MANAGEMENT PLAN AND ADMINISTRATION AGREEMENTS

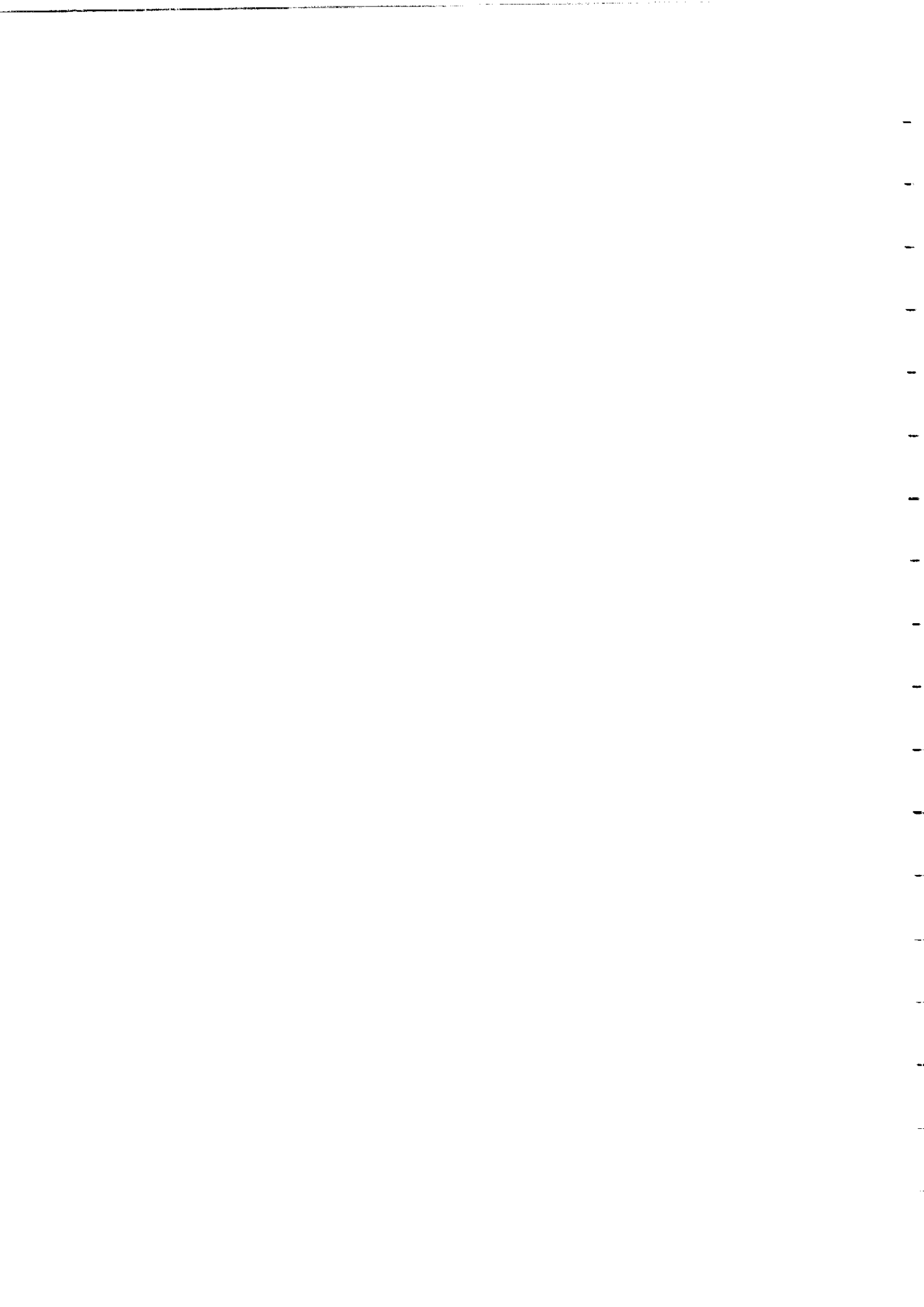
In 1990, the Corporation entered into a management plan agreement with the Canadian International Development Agency (CIDA) to promote businesses of small and medium industries in the Northern Region of Thailand by offering loans and/or participating in joint ventures. Both the Corporation and CIDA contributed to the fund at Canadian Dollars 4.1 million each, and the Corporation has been appointed as the manager of the fund. The Corporation will record the CIDA contributions to the fund as part of its business transactions under its liabilities. As at December 31, 1997, and 1996, the fund balances under this plan were Baht 92.5 million and Baht 93.9 million, respectively, and are shown as "Accounts payable and accrued expenses" in balance sheets.

Under the term of the agreement, the Corporation will receive management fee at 5.5% of loans to customers made from the contribution of CIDA, and must conform with certain restrictions and conditions as stated in the agreement.

On May 9, 1996, the Corporation and CIDA amended the management plan and administration agreements whereby the Corporation has an authorization to manage the fund and has the right over the fund which was effective from June 30, 1996. As a result, the Corporation recorded income from loans and/or equity investments and others which was previously recorded in "Accounts payable and accrued expenses" to income of the Corporation.

24. ECONOMIC CRISIS

The accompanying financial statements as of December 31, 1997, include the effect of the economic crisis to the Corporation and its subsidiaries to the extent they are known and can be estimable. The country's economic crisis caused by the currency volatility of the countries in the Asia Pacific region which has a significant effect to the operations of the Corporation and its subsidiaries and will continue to be effect for the foreseeable future. As a result, there are significant uncertainties that might affect future operations of the Corporation and its subsidiaries. The ultimate outcome on these matters cannot be presently determined. The financial statements do not include any adjustment that might result from these uncertainties. However, the Corporation and its subsidiaries will report the related effects in the financial statements as they become known and estimable.



25. ACCOUNTING CHANGE

Starting from April 1, 1997, a subsidiary adopted the practice of recognizing income tax effects of transactions in the period in which they enter into the determination of net income, regardless of when they are recognized for computation of income tax purpose. Accordingly, the income tax applicable to expenses which are not currently deductible for computation of income tax are set up as deferred income tax in balance sheets. This will be allocated to future periods when the expenses provided for are actually incurred and considered deductible for computation of income tax. The change was retroactively adjusted to be effective from January 1, 1997. As a result of this deferment, the effect of the change increased net income for year ended December 31, 1997 by approximately Baht 18.0 million or Baht 0.03 per share.

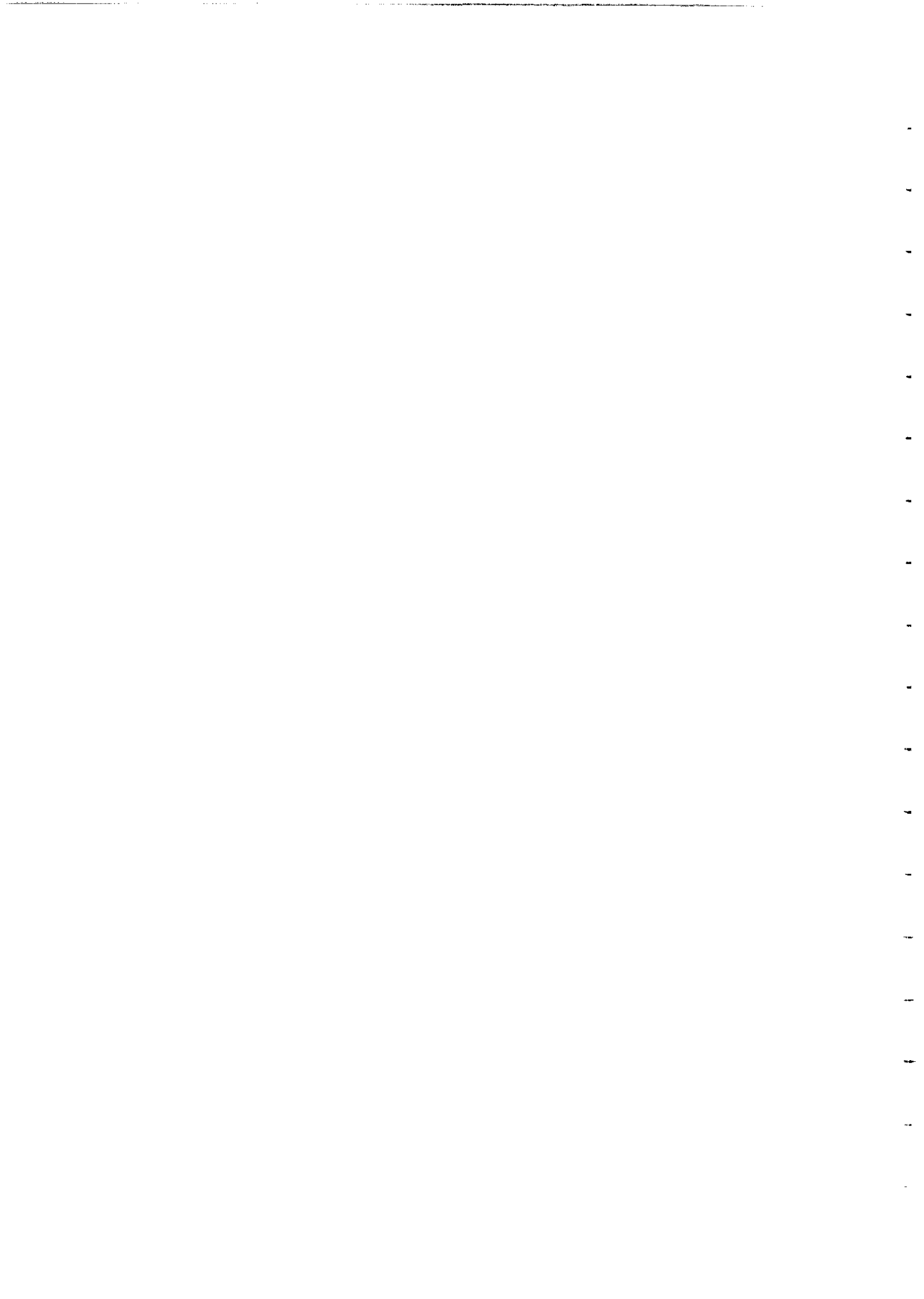
26. EXTRAORDINARY ITEM

On July 2, 1997, the Ministry of Finance announced a change in foreign currency exchange system from the pegged basket system to the managed floated system. Consequently, subsidiaries incurred losses from foreign currency exchange as of December 31, 1997 approximately Baht 616 million. The loss from the use of floated currency exchange system is presented separately as extraordinary item in the statements of income for the year ended December 31, 1997.

27. TAXES

The Corporation is established under The Industrial Finance Corporation of Thailand Act B.E. 2502 (1959) and is not subject to the corporate income tax as ruled by the Revenue Department.

Under the provision of Section 78 bis (7) of the Revenue Code and Royal Decree No. 10 (B.E.2500) issued under the provision of the Revenue Code, the Corporation is also exempted from payment of business taxes and the stamp duty. The Corporation is also exempted from payment of the specific tax under the provision of Section 91/3 of the Revenue Code.



28. COMMITMENTS AND CONTINGENT LIABILITIES

	Consolidated Financial Statements	
	In Thousand Baht	
	1997	1996
Avals to loans	3,208,783	150,883
Guarantee for loans	25,104,877	11,860,387
Letters of credit	962,570	394,681
Unwithdrawn borrowings under agreements	3,449,970	3,144,729
Commitments under construction contracts	868,412	1,110,454

	Stand Alone Financial Statements	
	In Thousand Baht	
	1997	1996
Avals to loan	3,206,715	-
Guarantee for loans	23,911,937	11,373,259
Letters of credit	962,570	394,681
Unwithdrawn borrowings under agreements	3,449,970	3,144,729
Commitments under construction contracts	868,412	1,110,454

29. RECLASSIFICATION OF ACCOUNTS

Certain accounts in 1996 were reclassified to conform with the 1997 Corporation and consolidated financial statements presentation.

