

(UNAUDITED BUT REVIEWED)

CHRISTIANI & NIELSEN (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 Corporate information

Christiani & Nielsen (Thai) Public Company Limited was incorporated as a public limited company under Thai laws. The Company operates in Thailand with the principal activity to carry out the construction business. Its registered address is at 451, La Salle Road (Sukhumvit 105), Kwaeng Bangna, Khet Bangna, Bangkok

1.2 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 41 “Interim Financial Reporting”, with the Company choosing to present condensed interim financial statements. However, the Company has presented the balance sheets, and the statements of earnings, changes in shareholders’ equity and cash flows in the same format as that used for the annual financial statements.

These interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

1.3 Basis of consolidation

These interim consolidated financial statements include the financial statements of Christiani & Nielsen (Thai) Public Company Limited and its subsidiaries (collectively called “the Group”) and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2005, with no changes in the structure of the Group during the current period.

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The financial statements of the overseas subsidiaries for the three-month and six-month periods ended 30 June 2006 as included in the consolidated financial statements were prepared by the management of those subsidiaries, and have not been reviewed by their auditors. Their aggregate assets were approximately Baht 372 million or 13% of the consolidated assets as at 30 June 2006 and their aggregate revenues were approximately Baht 0.4 million and Baht 0.7 million, respectively or 0.03% and 0.04% of the consolidated revenues for the three-month and six-month periods then ended, respectively.

The consolidated financial statements as at 30 June 2006 and for the three-month and six-month periods then ended included the proportion of the assets, liabilities, revenues and expenses of the Joint Venture, the balances of which were as follows :-

	(Unit : Million Baht)
	Consolidated
	<u>2006</u>
Current assets	18
Current liabilities	(9)
Revenues	13
Expenses	(13)

1.4 Significant accounting policies

These interim financial statements are prepared using the same accounting policies and method of computation as were used for the financial statements for the year ended 31 December 2005.

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2 CASH AND CASH EQUIVALENTS/RESTRICTED DEPOSITS

Cash and cash equivalents as at 30 June 2006 and 2005 as reflected in the statements of cash flows consist of the following :-

	Consolidated		(Unit : Thousand Baht) The Company Only	
	2006	2005	2006	2005
Cash and deposits at banks	305,687	135,412	250,800	108,646
Fixed deposits at banks	71,660	60,296	71,660	60,296
Deposits at finance companies	3,200	245,570	-	242,532
Total	380,547	441,278	322,460	411,474
Less : Restricted deposits	(186,715)	(58,802)	(186,715)	(58,802)
Cash and cash equivalents	193,832	382,476	135,745	352,672

As at 30 June 2006, the Company had pledged its cash at banks of approximately Baht 186.7 million (31 December 2005 : Baht 83.8 million) with banks to secure the bank overdrafts and the letters of guarantees issued by the banks on behalf of the Company.

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3 CONSTRUCTION CONTRACT DEBTORS

The balance included amounts receivable from several construction projects of which the developers have experienced financial difficulties and delayed payments for the construction service provided and some of these projects have been subject to legal actions taken by the Company. All outstanding contract debtors as at 30 June 2006 and 31 December 2005 were as follows :-

(Unit : Thousand Baht)

	Consolidated		The Company Only	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Construction contract debtors	579,032	389,885	566,987	384,783
Retention payment under construction contracts	311,345	267,321	311,345	267,321
Total	890,377	657,206	878,332	652,104
Less : Allowance for doubtful accounts	(109,606)	(150,051)	(109,606)	(150,051)
Construction contracts debtors, net	780,771	507,155	768,726	502,053

As at 30 June 2006 and 31 December 2005, the balance of construction contract debtors classified by aging was as follows :-

(Unit : Thousand Baht)

	Consolidated		The Company Only	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
<u>Overdue</u>				
Not over 3 months	462,701	198,909	450,656	193,807
3- 6 months	15,811	22,598	15,811	22,598
6- 12 months	13,034	26,313	13,034	26,313
Over 12 months	87,486	142,065	87,486	142,065
	579,032	389,885	566,987	384,783

The Company has transferred the calling right for the collections from the construction contract debtors of certain projects to a bank to secure the credit facilities of the Company granted by that bank.

The consolidated construction costs after being adjusted realized gains or losses of the construction contracts up to 30 June 2006 were approximately Baht 8,388 million (The Company Only : Baht 8,038 million). The Company and the Joint Venture have already billed for the contract in progress from project owners of approximately Baht 7,603 million (The Company Only : Baht 7,253 million).

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4 INVESTMENTS IN RELATED PARTIES ACCOUNTED FOR UNDER EQUITY METHOD / EXCESS OF LOSSES OVER COST OF INVESTMENT ACCOUNTED FOR UNDER EQUITY METHOD

Investments in related parties in the Company's financial statements are the investments in the following companies :-

(Unit : Thousand Baht)

	Percentage of shareholding		Investment value			
			Cost Method		Equity Method	
	30 June 2006 Percent	31 December 2005 Percent	30 June 2006	31 December 2005	30 June 2006	31 December 2005
<u>Investment in the Subsidiaries</u>						
<u>Construction business</u>						
Christiani & Nielsen Construction (Thai) Company Limited	100.0	100.0	1,000	1,000	(31,174)	(30,897)
<u>Holding company</u>						
CNT Holdings Limited	100.0	100.0	2,600,000	2,600,000	372,397	383,070
<u>Plan Administrator</u>						
CN Advisory Company Limited	100.0	100.0	1,000	1,000	1,990	2,081
Total investments in the Subsidiaries			<u>2,602,000</u>	<u>2,602,000</u>	<u>343,213</u>	<u>364,254</u>
<u>Investment in the Joint Venture</u>						
<u>Construction business</u>						
NWR, ITD, CNT & AS Joint Venture	25.0	25.0	2,000	2,000	9,001	19,263
Total investment in the Joint Venture			<u>2,000</u>	<u>2,000</u>	<u>9,001</u>	<u>19,263</u>
Total investments in the Subsidiaries and the Joint Venture			<u>2,604,000</u>	<u>2,604,000</u>	<u>352,214</u>	<u>383,517</u>
Presented as :						
Investments in related parties accounted for under equity method					383,388	414,414
Excess of losses over cost of investment accounted for under equity method					(31,174)	(30,897)
Total					<u>352,214</u>	<u>383,517</u>

As at 30 June 2006 and 31 December 2005, accumulated share of losses from investment in Christiani & Nielsen Construction (Thai) Company Limited exceeded cost of investment, the Company has separately shown such excess as "Excess of losses over cost of investment accounted for under equity method" under non-current liabilities in the balance sheets.

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Since 2002, the Company had invested in 25% interest in NWR, ITD, CNT & AS Joint Venture. The Company had under equity method recorded share of profit from investment of approximately Baht 3.5 million for the three-month period ended 30 June 2006 and share of loss of approximately Baht 0.3 million for six-month period then ended (2005 : Share of loss of Baht 0.1 million and share of profit of Baht 9 million, respectively), which was included in “Share of profit from investments under equity method” in the Company’s earnings statements. During the first quarter of the current period, the Company received dividend of Baht 10 million from the Joint Venture.

The Company has pledged the shares of Christiani & Nielsen Construction (Thai) Company Limited and of CNT Holdings Limited with a bank to secure the credit facilities of the Company granted by that bank.

5. INVESTMENTS IN THE ASSOCIATE AND OTHER COMPANIES

Investments in the associate and other companies consist of investments in the ordinary shares of the following companies :-

	Percentage of shareholding		(Unit: Thousand Baht) Consolidated	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
	Percent	Percent		
<u>Investment in the Associate</u>				
International Machinery Supplies Co., Ltd	31.94	31.94	7,500	7,500
Total			7,500	7,500
Less : Provision for diminution in value of investment			(7,500)	(7,500)
Investment in the Associate - net			-	-
<u>Investments in other companies</u>				
Satum Inc.	10.50	10.50	2,218	2,218
Phuket Land Development Co., Ltd	15.00	15.00	3,000	3,000
Total			5,218	5,218
Less : Provision for diminution in value of investments			(3,000)	(3,000)
Investments in other companies - net			2,218	2,218
Total investments in the Associate and other companies - net			2,218	2,218

According to the latest unaudited financial statements of Satum Inc., the net worth attributable to the Subsidiary’s investment as at 31 December 2005 was approximately Baht 22 million.

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6 RELATED PARTY TRANSACTIONS

During the periods ended 30 June 2006 and 2005, the Company had significant business transactions with its subsidiaries and joint venture (which have been eliminated in the consolidated financial statements). Such transactions, which have been concluded on the terms and basis as determined by the Company and the Subsidiaries and Joint Venture and in the ordinary course of business, are summarised below.

(Unit: Thousand Baht)

	Consolidated				Pricing and lending policy
	For the three-month periods ended 30 June		For the six-month periods ended 30 June		
	2006	2005	2006	2005	
<u>Transactions with the Joint Venture</u>					
Construction income	-	24,533	-	24,533	Cost plus margin

(Unit: Thousand Baht)

	The Company Only				Pricing and lending policy
	For the three-month periods ended 30 June		For the six-month periods ended 30 June		
	2006	2005	2006	2005	
<u>Transactions with the Subsidiaries</u>					
Rental and service income	30	363	60	694	Based on the prices agreed between the parties, which approximate the market price
Interest income	215	193	413	401	Interest rate at MOR plus 0.25% per annum
Management fee expenses	-	600	-	1,200	Based on the prices agreed between the parties, which approximate the market price
<u>Transactions with the Joint Venture</u>					
Construction income	-	12,811	-	29,277	Cost plus margin
Service income	-	30	30	250	Based on the prices agreed between the parties, which approximate the market price
Dividend income	-	-	10,000	-	At the declared rate

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The outstanding balances of the above transactions are separately shown in the balance sheets as follows :-

Amounts due from and loans to the Subsidiaries

	(Unit : Thousand Baht)	
	The Company Only	
	30 June 2006	31 December 2005
<u>Amounts due from the Subsidiaries</u>		
CNT Holdings Limited	2,808	2,808
Christiani & Nielsen Construction (Thai) Company Limited	18,942	18,529
CN Advisory Company Limited	32	32
Total amounts due from the Subsidiaries	21,782	21,369
<u>Loans to the Subsidiary</u>		
Christiani & Nielsen Construction (Thai) Company Limited	10,300	10,800
Total loans to the Subsidiary	10,300	10,800
Total amounts due from and loans to the Subsidiaries	32,082	32,169

During the period, movements of loans to the Subsidiary were as follows :-

	(Unit : Thousand Baht)			
	The Company Only			
	Balances as at 1 January 2006	Movements during the period		Balances as at 30 June 2006
	Increase	Decrease		
Christiani & Nielsen Construction (Thai) Company Limited	10,800	-	500	10,300
Total	10,800	-	500	10,300

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7. PLANT AND EQUIPMENT

Movements of the plant and equipment account during the six-month period ended 30 June 2006 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	The Company only
Net book value as at 1 January 2006	144,639	144,444
Acquisitions during the period - at cost	15,505	15,505
Disposals during the period - net book value at disposal date	(4,646)	(4,646)
Depreciation for the period	(14,471)	(14,397)
Net book value as at 30 June 2006	<u>141,027</u>	<u>140,906</u>

8. NET ASSETS OF DISCONTINUED OPERATION UNITS

	(Unit: Thousand Baht)	
	Consolidated	
	30 June 2006	31 December 2005
Total assets	321,015	339,511
Total liabilities	(68)	(123)
Net assets before provision	320,947	339,388
Less: Provision for diminution in value of assets	(2,855)	(2,855)
Net assets	<u>318,092</u>	<u>336,533</u>

The net assets of discontinued operation units represent the net assets of Harmony Property Group Limited and CN Place Silom Development Limited.

9. INVESTMENTS IN REAL ESTATE

The Company has mortgaged its 3 plots of land with a bank to secure the bank overdrafts granted by that bank as discussed in Note 11.

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10. REHABILITATION PLAN

On 8 July 2002, the Central Bankruptcy Court issued an order for the reorganisation petition of the Company and appointed CN Advisory Company Limited to be the planner as proposed.

The Company had on 15 January 2003 proposed the above rehabilitation plan to its creditors in which the plan had been approved by the majority of its concerned creditors on 18 February 2003 and subsequently agreed by the Central Bankruptcy Court on 2 May 2003. The Court has appointed CN Advisory Company Limited as a plan administrator. The Company had in 2003 implemented the rehabilitation plan in which the capital restructuring, most of the group and debt restructuring plans had already been completed. Since the Company had fulfilled the main processes under the rehabilitation plan and had considered setting up reserve for potential loss from guarantee obligations and other liabilities in the accounts, the Company had on 28 June 2005 filed a request for release from the rehabilitation plan with the Central Bankruptcy Court. The Court had on 1 September 2005 ordered the release from the rehabilitation plan.

As at 30 June 2006 and 31 December 2005, the Company has reserved cash of approximately Baht 4 million with the Central Office of Deposit of Property, the Legal Execution Department, for settlement of debts that the final order has not been made.

11. BANK OVERDRAFTS

The Company's bank overdrafts are secured by the pledge of bank deposits, the transfer of the calling right for the collections from the construction contract debtors of certain projects, the pledge of the subsidiary's shares, and the mortgage of the Company's land.

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12. ESTIMATED LIABILITIES FOR GUARANTEE OBLIGATIONS AND OTHER PAYABLES

During the year 2003, the Company had recorded reserve for potential loss of Baht 112 million from guarantee obligations and other payables which were claimed by the creditors under the Company's rehabilitation plan. The reserve was estimated at the rate of 3 percent of guarantee obligations and payables claimed, which included guarantee payables of the Group's loans, the Group's and the Company's bank guarantees, the specified and non-specified value of letter of guarantees in respect of performance bonds for the construction projects of the Group and the Company, the Revenue Department creditors, and other payables. The management believes that such reserve will cover losses and besides such obligations there will be no significant liabilities to be incurred.

During the year 2004 and 2005, as ordered by the Comptroller of Bankruptcy, the Company was forgiven certain liabilities of approximately Baht 24 million and repaid the debts of totaling approximately Baht 16 million, and there were outstanding estimated liabilities of Baht 72 million as at 30 June 2006 and 31 December 2005.

13. SHARE CAPITAL

	(Unit : Thousand Baht)	
	30 June 2006	31 December 2005
Authorised and registered		
401,162,888 ordinary shares of Baht 1 each	401,163	401,163
Issued and fully paid up		
401,161,682 ordinary shares of Baht 1 each	401,162	401,162

14. OWN SHARES HELD BY THE SUBSIDIARY

Own shares held by the Subsidiary represented the cost of 13.55 million ordinary shares of Baht 1 each, totaling Baht 13.55 million, issued by the Company following its capital restructuring plan and held by the Subsidiary. This holding has been treated in the balance sheets as a deduction in the shareholders' equity to determine the net equity attributable to the Company's shareholders.

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15. DIVIDEND PAID

On 24 February 2006, the meeting of the Board of Directors of the Company No. 367 passed a resolution approving the payment of dividend from the 2005 earnings to the Company's shareholders at Baht 0.10 per share or a total dividend of approximately Baht 40 million. This proposed dividend was approved by the resolution of the annual general meeting of the Company's shareholders No. 73 on 21 April 2006 and was paid to the shareholders on 15 May 2006.

16. FINANCIAL INFORMATION BY SEGMENT

The Company's, its subsidiaries' and joint venture's operations involve virtually a single industry segment i.e. construction business which are carried on both in Thailand and foreign countries.

Geographical segment information of the Company, its subsidiaries and joint venture for the three-month and six-month periods ended 30 June 2006 and 2005 was as follows :

(Unit : Million Baht)

Consolidated for the three-month periods ended 30 June

	Other countries in			Total	
	Thailand	Asia	Eliminated	2006	2005
Construction income	1,260	-	(2)	1,258	790
Segment operating profit	16	2	(2)	16	12
Interest expenses	(1)	-	-	(1)	-
Results of discontinued operation units	-	3	-	3	1
Net earnings				18	13

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(Unit : Million Baht)

Consolidated for the six-month periods ended 30 June

	Other countries in			Total	
	Thailand	Asia	Eliminated	2006	2005
Construction income	2,076	-	(2)	2,074	1,802
Segment operating profit	38	2	(14)	26	52
Interest expenses	(2)	-	1	(1)	-
Corporate income tax	-	-	-	-	(4)
Results of discontinued operation units	-	6	-	6	2
Net earnings				31	50

The Company, its subsidiaries and joint venture have applied the pricing policies described in Note 6 to set the transfer prices.

17. COMMITMENTS

As at 30 June 2006, the Group and the Company had commitments other than those disclosed in other notes as follows :-

- (a) Commitments in respect of long-term lease of land on which the Group's and Company's construction office and warehouse are located and other long-term lease agreements. The rental payable in the future under the lease agreements is approximately Baht 1.1 million (31 December 2005: 6.6 million).
- (b) The Company had other commitments mainly in respect of operating leases of approximately Baht 14.7 million (31 December 2005: Baht 15.7 million).

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18. CONTINGENT LIABILITIES

As at 30 June 2006, the Group and the Company had contingent liabilities other than those disclosed in other notes as follows :-

- (a) The Company had issued letters of guarantees, mainly in respect of contract payments, performance bonds and finance facilities of approximately Baht 325 million (31 December 2005 : Baht 367 million). Furthermore, the Company had issued both specified and non-specified value of letters of guarantees in respect of performance bonds for the construction projects of the overseas subsidiary companies. Since 2003, the Company recorded liabilities in respect of these guarantee obligations, which were estimated based on the maximum guarantees claimed by the creditors under the Company's rehabilitation plan.
- (b) The Company had outstanding bank guarantees of approximately Baht 1,257 million (31 December 2005 : Baht 1,063 million) issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business of the Company. Furthermore, the Group had bank guarantees of approximately Baht 1,121 million issued by the banks on behalf of the Group in which the Company recorded liabilities in respect of these guarantee obligations, which were estimated based on the maximum guarantees claimed by the creditors under the Company's rehabilitation plan.
- (c) The Company has guaranteed to a local bank for the credit and guarantee facilities granted by that bank to an overseas associated company at the maximum facilities of DKK 103 million. However, the Company has obtained letter of guarantee from the major shareholder of that associated company for future contingent liabilities. Under the agreement between the bank and that associated company, no additional credit facilities are to be granted and the remaining guarantee will gradually reduce over the period of letter of guarantee. The management of the Company believes that the said guarantee will be ended within 5 years from April 2001. The Company had recorded liability in respect of this guarantee obligation, which was estimated based on the maximum guarantee claimed by the creditor under the Company's rehabilitation plan.

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- (d) During the year 2002, the Company had filed for the refund of the 1999-2001 withholding tax deducted at source totaling approximately Baht 67 million with the Revenue Department. The investigation of the tax authorities resulted the Company in the additional tax assessment for corporate income tax, withholding tax, specific business tax and stamp duty of approximately Baht 118 million and the changes in tax losses brought forward of the same periods. The Company had on 17 October 2002 appealed the tax assessment with the Tax Appeal Board. Subsequently on 18 March 2005, the Company received the appeal result from the Tax Appeal Board with a reduction of certain tax assessments whereby the tax assessments including penalty and surcharge were reduced to Baht 93 million. On 5 April 2005, the Comptroller had an order regarding the amount of Baht 118 million claimed by the creditor that the creditor can offset such amount with the withholding tax refund, and had therefore ordered the creditor to receive only approximately Baht 61 million. However, on 12 April 2005, the Company filed for withdrawal of the Tax Appeal Board's judgement and had on 19 April 2005 filed an opposition to the order of the Comptroller. The management believes that there will be no significant liabilities to be incurred from such event and general provision set aside in the accounts is adequate.

19. FOREIGN CURRENCY RISK

The Company's exposure to foreign currency risk relates primarily to its assets and liabilities which are denominated in foreign currencies, which are currently not hedged by any derivative financial instruments.

As at 30 June 2006, the Company had foreign currency-denominated assets and liabilities which had not been hedged against foreign exchange rate risk, as summarised below.

Foreign currency	Assets (Unit: Thousand)	Liabilities (Unit: Thousand)	Average exchange rate as at 30 June 2006 (Baht per unit of foreign currency)
USD	7,768	628	38.2351
GBP	-	19	70.0520
DKK	21	-	6.5134

20. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were authorised for issue by the Board of Directors of the Company on 11 August 2006