

(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 No. 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 nine-month periods ended 30 September 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 382 million or 12% of the consolidated assets as at 30 September 2006 and their aggregate revenues were approximately Baht 0.5 million and Baht 1.2 million, respectively or 0.03% and 0.03% of the consolidated revenues for the three-month and nine-month periods then ended, respectively.

The consolidated financial statements as at 30 September 2006 and for the three-month and nine-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	7
Current liabilities	(3)
Revenues	13
Expenses	(14)

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 September 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	467,121	197,287	402,882	155,896
Fixed deposits at banks	46,257	270	46,257	270
Deposits at finance companies	3,200	270,829	-	267,777
Total	516,578	468,386	449,139	423,943
Less: Restricted deposits	(137,730)	(61,676)	(137,730)	(61,676)
Cash and cash equivalents	378,848	406,710	311,409	362,267

As at 30 September 2006, the Company had pledged its deposits at banks of approximately Baht 137.7 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 September 2006 and 31 December 2005 were as follows :-

	Consolidated		(Unit : Thousand Baht) The Company Only	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
Construction contract debtors	510,724	389,885	508,810	384,783
Retention payment under construction contracts	287,311	267,321	287,311	267,321
Total	798,035	657,206	796,121	652,104
Less : Allowance for doubtful accounts	(108,428)	(150,051)	(108,428)	(150,051)
Construction contracts debtors, net	689,607	507,155	687,693	502,053

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

	Consolidated		(Unit : Thousand Baht) The Company Only	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
<u>Overdue</u>				
Not over 3 months	386,699	198,909	384,785	193,807
3- 6 months	29,506	22,598	29,506	22,598
6- 12 months	12,692	26,313	12,692	26,313
Over 12 months	81,827	142,065	81,827	142,065
	510,724	389,885	508,810	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 September 2006 were approximately Baht 9,872 million (The Company Only : Baht 9,522 million). The Company and the Joint Venture have already billed for the contract in progress from project owners of approximately Baht 8,921 million (The Company Only : Baht 8,571 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, which are accounted for using the equity method :-

(Unit : Thousand Baht)

	Percentage of shareholding		Investment value			
			Cost Method		Equity Method	
	30 September 2006 Percent	31 December 2005 Percent	30 September 2006	31 December 2005	30 September 2006	31 December 2005
<u>Investments in the Subsidiaries</u>						
<u>Construction business</u>						
Christiani & Nielsen Construction						
(Thai) Company Limited						
	100.0	100.0	1,000	1,000	(31,388)	(30,897)
<u>Holding company</u>						
CNT Holdings Limited						
	100.0	100.0	2,600,000	2,600,000	380,286	393,070
<u>Plan Administrator</u>						
CN Advisory Company Limited						
	100.0	100.0	1,000	1,000	1,945	2,081
Total investments in the Subsidiaries			2,602,000	2,602,000	350,843	364,254
<u>Investment in the Joint Venture</u>						
<u>Construction business</u>						
NWR, ITD, CNT & AS Joint Venture						
	25.0	25.0	-	2,000	4,076	19,263
Total investment in the Joint Venture			-	2,000	4,076	19,263
Total investments in the Subsidiaries and the Joint Venture			2,602,000	2,604,000	354,919	383,517
Presented as :						
Investments in related parties accounted for under equity method					386,307	414,414
Excess of losses over cost of investment accounted for under equity method					(31,388)	(30,897)
Total					354,919	383,517

As at 30 September 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 loss from investment for the three-month and nine-month periods ended 30 September 2006 of approximately Baht 0.9 million and Baht 1.2 million, respectively (2005 : Share of loss of Baht 2 million and share of profit of Baht 6 million, respectively), which was included in "Share of profit/loss from investments under equity method" in the Company's earnings statements. During the first and third quarters of the current period, the Company received dividend of Baht 10 million and Baht 2 million, respectively, from the Joint Venture, and in the third quarter the Company received its return from investment of Baht 2 million

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 September 2006	31 December 2005	30 September 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 audited financial statements of Satum Inc., the net worth attributable to the Subsidiary's investment as at 31 December 2005 was approximately Baht 21 million. During the current period, the subsidiary received dividend of approximately Baht 9.9 million from this company.

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6 RELATED PARTY TRANSACTIONS

During the periods ended 30 September 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.

	Consolidated				(Unit : Thousand Baht)
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September		Pricing and lending policy
	2006	2005	2006	2005	
<u>Transactions with the Joint Venture</u>					
Construction income	-	-	-	24,533	Cost plus margin
					(Unit : Thousand Baht)
	The Company Only				
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September		Pricing and lending policy
	2006	2005	2006	2005	
<u>Transactions with the Subsidiaries</u>					
Rental and service income	30	211	90	905	Based on the prices agreed between the parties, which approximate the market price
Interest income	212	182	625	583	Interest rate at MOR plus 0.25% per annum
Management fee	-	400	-	1,600	Based on the prices agreed between the parties, which approximate the market price
<u>Transactions with the Joint Venture</u>					
Construction income	-	5,993	2,019	35,270	Cost plus margin
Service income	-	30	30	280	Based on the prices agreed between the parties, which approximate the market price
Dividend income	2,000	-	12,000	-	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 September 2006	31 December 2005
<u>Amounts due from the Subsidiaries</u>		
CNT Holdings Limited	2,808	2,808
Christiani & Nielsen Construction (Thai) Company Limited	19,154	18,529
CN Advisory Company Limited	32	32
Total amounts due from the Subsidiaries	21,994	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	32,294	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 September 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 nine-month period ended 30 September 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	38,667	38,667
Disposals during the period - net book value at disposal date	(5,213)	(5,166)
Depreciation for the period	(22,748)	(22,646)
Net book value as at 30 September 2006	155,345	155,299

8. NET ASSETS OF DISCONTINUED OPERATION UNITS

	(Unit : Thousand Baht)	
	Consolidated	
	30 September 2006	31 December 2005
Total assets	321,480	339,511
Total liabilities	(1,852)	(123)
Net assets before provision	319,628	339,388
Less : Provision for diminution in value of assets	(2,855)	(2,855)
Net assets	316,773	336,533

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

As at 30 September 2006, Harmony Property Group Limited had pledged its cash at bank of approximately USD 4.2 million (or equivalent to Baht 157 million) with the bank to secure the credit facilities of the Company.

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.

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 had 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 September 2006 and 31 December 2005, the Company had 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 September 2006 and 31 December 2005.

13. SHARE CAPITAL

	(Unit : Thousand Baht)	
	30 September 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 nine-month periods ended 30 September 2006 and 2005 was as follows :

(Unit : Million Baht)

Consolidated for the three-month periods ended 30 September

	Other countries in			Total	
	Thailand	Asia	Eliminated	2006	2005
Construction income	1,485	-	-	1,485	906
Segment operating profit	26	1	(2)	25	29
Interest expenses	(1)	-	-	(1)	(1)
Corporate income tax	-	-	-	-	1
Results of discontinued operation units	-	4	-	4	2
Net earnings				<u>28</u>	<u>31</u>

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(Unit : Million Baht)

Consolidated for the nine-month periods ended 30 September

	Other countries in			Total	
	Thailand	Asia	Eliminated	2006	2005
Construction income	3,560	-	(2)	3,558	2,708
Segment operating profit	64	3	(16)	51	81
Interest expenses	(3)	-	2	(1)	(1)
Corporate income tax	-	-	-	-	(3)
Results of discontinued operation units	-	10	(1)	9	4
Net earnings				59	81

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 September 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 17 million (31 December 2005: Baht 15.7 million).

18 CONTINGENT LIABILITIES

As at 30 September 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 368 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 1,860 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.

On 16 August 2006, the Company received an advice from an Authority, with which the Company attended the construction project bidding process, to seize letter of guarantee of Baht 168 million since the Company could not comply with certain bidding conditions. Subsequently on 21 August 2006, the Company wrote a letter to the related authorities to explain the reason and request for a review of certain construction project bidding procedures. In addition, the Company obtained an opinion from its legal counsel from which the Company received a highly favorable response. The management therefore believes that there will be no significant liabilities to be incurred from such event.

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- (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.
- (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 judgment and had on 19 April 2005 filed an opposition to the order of the Comptroller. Subsequently on 23 June 2006, the Central Revenue Court announced a judgment and on 22 September 2006, the Company received a copy of the Central Revenue Court's judgment which was in favour of the Company on certain matters resulting in a reduction of tax assessments to Baht 16 million. 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.

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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 September 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 September 2006 (Baht per unit of foreign currency)
USD	584	190	37.5416
GBP	-	20	70.3805
DKK	21	-	6.3900

20. SUBSEQUENT EVENT

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

This Notification of the FAP was announced in the Royal Gazette and is effective from 30 October 2006.

21. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were authorised for issue by the Board of Directors of the Company on 9 November 2006.