

(UNAUDITED BUT REVIEWED)

CHRISTIANI & NIELSEN (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2007

1. GENERAL INFORMATION

1.1 Corporate information

Christiani & Nielsen (Thai) Public Company Limited is a public limited company incorporated under Thai laws and domiciled in Thailand. The Company operates in Thailand and is principally engaged in 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 income, 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 2006, 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 period ended 31 March 2007 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 339 million or 10.2% of the consolidated assets as at 31 March 2007 and their aggregate revenues were approximately Baht 0.3 million or 0.02% of the consolidated revenues for the three-month period then ended.

The consolidated financial statements as at 31 March 2007 and for the three-month period then ended included the proportion of the assets of the Joint Venture of Baht 1 million.

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 2006.

2 CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENTS IN SUBSIDIARY COMPANIES IN THE SEPARATE FINANCIAL STATEMENTS

During the fourth quarter of 2006, the Company changed its accounting policy for recording investments in subsidiary companies in the separate financial statements from the equity method to the cost method, in compliance with Notification No. 26/2549 regarding Accounting Standard No. 44 “Consolidated Financial Statements and Accounting for Investments in Subsidiaries” (Amendment No. 1), issued by the Federation of Accounting Professions, under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method rather than the equity method.

During the current period, the Company has restated the separate financial statements for the three-month period ended 31 March 2006, as though the investments in the subsidiary companies had originally been recorded using the cost method. The change has the effect of increasing net income in the separate income statement for the three-month period ended 31 March 2006 by approximately Baht 11 million (Baht 0.03 per share). The cumulative effect of the change in accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy for investments in subsidiary companies” in the separate statement of changes in shareholders’ equity.

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3. CASH AND CASH EQUIVALENTS/RESTRICTED DEPOSITS

Cash and cash equivalents as at 31 March 2007 and 2006 as reflected in the statements of cash flows consist of the following:-

	Consolidated financial statements		(Unit : Thousand Baht) Separate financial statements	
	2007	2006	2007	2006
Cash and deposits at banks	263,531	248,692	218,316	191,689
Fixed deposits at banks	59,237	169	59,237	169
Deposits at finance companies	3,100	3,200	-	-
Total	325,868	252,061	277,553	191,858
Less : Restricted deposits	(110,424)	(99,666)	(110,424)	(99,666)
Cash and cash equivalents	215,444	152,395	167,129	92,192

As at 31 March 2007, the Company had pledged its bank deposits of approximately Baht 110 million (31 December 2006 : Baht 140 million) with banks to secure the bank overdrafts and the letters of guarantees issued by the banks on behalf of the Company.

4. 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 31 March 2007 and 31 December 2006 were as follows :-

	Consolidated financial statements		(Unit : Thousand Baht) Separate financial statements	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006
Construction contract debtors	790,185	548,113	790,185	548,113
Retention payment under construction contracts	329,768	330,862	329,768	330,862
Total	1,119,953	878,975	1,119,953	878,975
Less : Allowance for doubtful accounts	(107,923)	(107,923)	(107,923)	(107,923)
Construction contracts debtors, net	1,012,030	771,052	1,012,030	771,052

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As at 31 March 2007 and 31 December 2006, the balance of construction contract debtors classified by aging from the due date was as follows :-

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006
<u>Overdue</u>				
Not over 3 months	655,219	432,244	655,219	432,244
3- 6 months	25,866	18,806	25,866	18,806
6- 12 months	25,207	12,383	25,207	12,383
Over 12 months	83,893	84,680	83,893	84,680
	<u>790,185</u>	<u>548,113</u>	<u>790,185</u>	<u>548,113</u>

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.

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5. INVESTMENTS IN THE SUBSIDIARIES AND JOINT VENTURE

Investments in the subsidiaries and joint venture in the separate financial statements are the investments in ordinary shares of the following companies, which are accounted for using the cost method :-

	(Unit : Thousand Baht)			
	Separate financial statements			
	Investment value under cost method			
	Shareholding percentage		31 March	31 December
	31 March	31 December	31 March	31 December
	2007	2006	2007	2006
	Percent	Percent		
<u>Investments in the Subsidiaries</u>				
<u>Construction business</u>				
Christiani & Nielsen Construction (Thai) Company Limited	100	100	1,000	1,000
<u>Holding company</u>				
CNT Holdings Limited	100	100	2,600,000	2,600,000
<u>Plan Administrator</u>				
CN Advisory Company Limited	100	100	1,000	1,000
Total			2,602,000	2,602,000
Less : Allowance for diminution in value of investments			(2,266,000)	(2,266,000)
Total investments in the Subsidiaries - net			336,000	336,000

Since 2002, the Company had invested Baht 2 million, representing 25% interest in NWR, ITD, CNT & AS Joint Venture, and had received its return from investment during 2006. The Joint Venture is in the liquidation process. During the three-month period ended 31 March 2007, the Company received dividend of Baht 2 million from the Joint Venture (2006: Baht 10 million).

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

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6 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 :-

	Shareholding percentage		(Unit: Thousand Baht) Consolidated financial statements	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006
	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 : Allowance 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 : Allowance 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 2006 was approximately Baht 13 million.

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7. RELATED PARTY TRANSACTIONS

During the periods ended 31 March 2007 and 2006, the Company, its subsidiaries and joint venture had significant business transactions with related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions.

(Unit : Thousand Baht)

	Separate financial statements		Transfer pricing and lending policy
	For the three-month periods ended 31 March		
	2007	2006	
<u>Transactions with the Subsidiaries</u>			
Rental and service income	30	30	Based on the prices agreed between the parties, which approximate the market prices
Interest income	207	198	Interest rate at MOR plus 0.25% per annum
<u>Transactions with the Joint Venture</u>			
Service income	-	30	Based on the prices agreed between the parties, which approximate the market prices
Dividend income	2,000	10,000	At the declared rate

The balances of the accounts as at 31 March 2007 and 31 December 2006 between the Company and those related parties are as follows :-

Amounts due from and loans to the Subsidiaries

(Unit : Thousand Baht)

	Separate financial statements	
	31 March 2007	31 December 2006
<u>Amounts due from the Subsidiaries</u>		
CNT Holdings Limited	2,808	2,808
Christiani & Nielsen Construction (Thai) Company Limited	19,575	19,368
CN Advisory Company Limited	32	32
Total	22,415	22,208
Less : Allowance for doubtful accounts	(18,500)	(18,500)
Total amounts due from the Subsidiaries - net	3,915	3,708

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(Unit : Thousand Baht)

	Separate financial statements	
	31 March 2007	31 December 2006
<u>Loans to the Subsidiary</u>		
Christiani & Nielsen Construction (Thai) Company Limited	10,300	10,300
Less : Allowance for doubtful accounts	(10,300)	(10,300)
Total loans to the Subsidiary - net	-	-
Total amounts due from and loans to the Subsidiaries - net	3,915	3,708

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

(Unit : Thousand Baht)

	Separate financial statements			Balances as at 31 March 2007
	Balances as at 31 December 2006	Movements during the period		
		Increase	Decrease	
Christiani & Nielsen Construction (Thai) Company Limited	10,300	-	-	10,300
Total	10,300	-	-	10,300

Directors and management's remuneration

During the three-month period ended 31 March 2007, the Company paid salaries, meeting allowances and gratuities to their directors and management of totaling approximately Baht 8.9 million (2006 : Baht 8.5 million).

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 19.

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8 PLANT AND EQUIPMENT

Movements of the plant and equipment account during the three-month period ended 31 March 2007 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Net book value as at 31 December 2006	168,902	168,902
Acquisitions during the period - at cost	27,480	27,480
Disposals during the period - net book value at disposal date	(347)	(347)
Depreciation for the period	(10,643)	(10,643)
Net book value as at 31 March 2007	<u>185,392</u>	<u>185,392</u>

9 NET ASSETS OF DISCONTINUED OPERATION UNITS

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 March 2007	31 December 2006
Total assets	322,993	309,692
Total liabilities	(58)	(97)
Net assets before provision	322,935	309,595
Less : Allowance for diminution in value of assets	(2,855)	(2,855)
Net assets	<u>320,080</u>	<u>306,740</u>

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

As at 31 March 2007, Harmony Property Group Limited had pledged its bank deposit of approximately USD 4.2 million (or equivalent to Baht 145 million) with the bank to secure the credit facilities of the Company.

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10. 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 12.

11. 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 31 March 2007 and 31 December 2006, 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.

12. 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 subsidiaries' shares, and the mortgage of the Company's land.

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13. 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 until 2006, 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 19 million, and there were outstanding estimated liabilities of Baht 69 million as at 31 March 2007 and 31 December 2006.

14. SHARE CAPITAL

	(Unit : Thousand Baht)	
	31 March 2007	31 December 2006
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

15. 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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16. SUPPLEMENTARY INFORMATION OF THE CONSTRUCTION CONTRACTS

The total construction costs after being adjusted realized gains or losses of the construction contracts up to 31 March 2007 were approximately Baht 9,128 million. The Company has already billed for the contract in progress from project owners of approximately Baht 8,156 million.

17. 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 periods ended 31 March 2007 and 2006 was as follows :

(Unit : Million Baht)

	Consolidated financial statements for the three-month periods ended 31 March				
	Thailand	Other countries in		Total	
		Asia	Eliminated	2007	2006
Construction income	1,450	-	-	1,450	816
Operating income	14	1	(3)	12	10
Interest expenses	(2)	-	1	(1)	-
Results of discontinued operation units	-	5	-	5	3
Net income				16	13

Transfer prices between business segments are set out in Note 7.

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18. COMMITMENTS

As at 31 March 2007, 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, in which the rental payable in the future under the lease agreements is approximately Baht 1.1 million (31 December 2006: 1.1 million).
- (b) The Company had other commitments mainly in respect of operating leases of approximately Baht 13.6 million (31 December 2006: Baht 15.3 million).

19. CONTINGENT LIABILITIES

As at 31 March 2007, 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 322 million (31 December 2006 : Baht 359 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 1,391 million (31 December 2006 : Baht 1,449 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.

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On 16 August 2006, the Company received notification from an agency to which the Company had expressed its intention to join the bidding for a construction project, that it was to retain the Company's bid guarantee of Baht 168 million since the Company had not complied with certain bidding conditions. Subsequently on 21 August 2006, the Company wrote a letter to the chairman of the Bidding Authorities to explain the reasons and request a review of certain construction project bidding procedures. On 5 February 2007, the Company make a countercharge to the Central Administration Court to repeal an order to retain the bid guarantee. Subsequently on 12 February 2007, the Company received notification from an Authority to which the Company wrote a letter, that the retention of the bid guarantee was in accordance with bidding conditions and requirements and could not be exempted. However, the Company obtained an opinion from its legal counsel that the outcome of any litigation was highly to be favorable to the Company. The management therefore believes that no significant liabilities will be incurred as a result of this event.

- (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 filed an application for a refund of withholding tax deducted at source of the year 1999 - 2001 totaling approximately Baht 67 million with the Revenue Department. The subsequent investigation of the tax authorities resulted the Company in the additional tax assessment being made against corporate income tax, withholding tax, specific business tax and stamp duty totalling approximately Baht 118 million and the changes in tax losses brought forward of the same periods. On 17 October 2002, the Company appealed the tax assessment with the Tax Appeal Board and on 18 March 2005, the Company received the appeal result from the Tax Appeal Board with a reduction of certain tax assessments whereby total tax assessments including penalties and surcharges were reduced to Baht 93 million. On 5 April 2005, the Comptroller issued an order regarding the amount of Baht 118 million, being of the opinion that the creditor is entitled to offset such amount with the refundable withholding tax, and therefore ordering that the creditor receive only approximately Baht 61 million. However, on 12 April 2005, the Company filed a petition to overrun the Tax Appeal Board's judgement, and on 19 April 2005 filed a petition opposing 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.

20. 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 31 March 2007, 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	Liabilities	Average exchange rate as at 31 March 2007
	(Unit : Thousand)	(Unit : Thousand)	(Baht per unit of foreign currency)
USD	1,835	82	35.0160

GBP	-	6	68.7047
DKK	2	-	6.2665

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21. SUBSEQUENT EVENT

On 23 February 2007, the meeting of the Board of Directors of the Company No. 371 passed a resolution approving the payment of dividend from the 2006 income to the Company's shareholders at Baht 0.05 per share or a total dividend of approximately Baht 20.06 million. This proposed dividend was approved by the resolution of the Annual General Meeting of the Company's shareholders No. 74 on 23 April 2007 and will be paid to the shareholders on 21 May 2007.

22. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were authorised for issue by the Board of Directors of the Company on 11 May 2007.