

**Christiani & Nielsen (Thai) Public Company Limited,
its subsidiaries and joint ventures
Notes to consolidated financial statements
For the years ended 31 December 2008 and 2007**

1. General information

1.1 Corporate information

Christiani & Nielsen (Thai) Public Company Limited (“the Company”) is a limited company incorporated under Thai laws and domiciled in Thailand and was transformed to be a public company under the Public Limited Companies Act on 26 November 1992. Its parent company is CPB Equity Company Limited, a company also incorporated in Thailand. The Company operates in Thailand and is principally engaged in the construction business. Its registered address and head office is at No. 451, La Salle Road (Sukhumvit 105), Kwaeng Bangna, Khet Bangna, Bangkok.

The Company has various local and overseas subsidiary companies and joint ventures as detailed in Note 2.2.

1.2 Economic crisis

The financial crisis experienced by the United States of America over the past year has had far reaching adverse effect on the global economy as evidenced by sharp falls in share prices worldwide, tight squeeze on credit including interbank lending, failures of large financial institutions and reduced consumer confidence. The crisis has affected substantially business and financial plans of Thailand enterprises and asset value. Despite efforts made by governments of many countries to contain the crisis, it remains uncertain as to when the global economy will return to its normalcy. These financial statements have been prepared on the bases of facts currently known to the Company, and on estimates and assumptions currently considered appropriate. However, they could be adversely affected by an array of future events.

1.3 Discontinued operation information

As part of the Company’s rehabilitation plan approved by the Stock Exchange of Thailand on 19 November 1996, the Company has discontinued the operations of certain units. The net assets/liabilities and operating results of the discontinued operation units have been separately shown in the consolidated balance sheets and income statements as at and for the years ended 31 December 2008 and 2007.

2. Basis of preparation

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from such financial statements in Thai language.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

a) The consolidated financial statements incorporate the financial statements of Christiani & Nielsen (Thai) Public Company Limited (the "Company"), its subsidiary companies (the "subsidiaries"), and the joint ventures as follows:

| | Country of incorporation | Currency | Paid-up share capital | | Percentage of shareholding by the group | |
|---|-----------------------------|----------|-----------------------|-----------|--|---------|
| | | | 2008 | 2007 | 2008 | 2007 |
| | | | (Unit: Thousand) | | Percent | Percent |
| Construction business | | | | | | |
| <i>Held by the Company</i> | | | | | | |
| Christiani & Nielsen Construction | | | | | | |
| (Thai) Company Limited | Thailand | Baht | 1,000 | 1,000 | 100.0 | 100.0 |
| NWR, ITD, CNT & AS Joint | | | | | | |
| Venture | Thailand | Baht | 8,000 | 8,000 | 25.0 | 25.0 |
| PAN ASIA - CNT Joint Venture | Thailand | Baht | 4,000 | 4,000 | 45.0 | 45.0 |
| Holding companies | | | | | | |
| <i>Held by the Company</i> | | | | | | |
| CNT Holdings Limited | Thailand | Baht | 2,600,000 | 2,600,000 | 100.0 | 100.0 |
| <i>Held by the Company and through the subsidiary</i> | | | | | | |
| Indochina Investments Ltd. | Bermuda Islands | USD | 120 | 12 | 100.0 | 100.0 |
| Harmony Property Group Ltd. | British Virgin Islands | USD | 200 | 50 | 100.0 | 100.0 |
| Property Development | | | | | | |
| <i>Held through the subsidiary</i> | | | | | | |
| CN Place Silom Development Ltd. | Thailand | Baht | 69,063 | 69,063 | 100.0 | 100.0 |
| Plan Administrator | | | | | | |
| <i>Held by the Company</i> | | | | | | |
| CN Advisory Company Limited | Thailand | Baht | 1,000 | 1,000 | 100.0 | 100.0 |

The subsidiaries are those companies in which the Group holds both directly and indirectly the voting rights and has effective control of their activities.

In situations where a decision has been made to close down or dispose of an investment in a subsidiary operation, provision has been made for all necessary closure costs.

Since 2002, the Company entered into a joint venture agreement with Nawarat Patanakarn Public Company Limited, Italian Thai Development Public Company Limited and A.S. Associate Engineering (1964) Company Limited, forming a joint venture namely "NWR, ITD, CNT & AS Joint Venture", to construct the Waste Water Treatment System Phase IV in Bangkok for the Bangkok Metropolitan Administration. Each party has 25% interest in this joint venture.

During the year 2007, the Company entered into a joint venture agreement with Pan Asia Engineering & Construction (Thailand) Co., Ltd., forming a joint venture namely "PAN ASIA - CNT Joint Venture" to construct the civil work of HMC PDH petrochemical plant. The Company has invested in 45% interest in this joint venture.

The consolidated financial statements as at 31 December 2008 and 2007 and for the years then ended had therefore included the proportion of the assets, liabilities, revenues and expenses of those joint ventures.

- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the effective date when such control ceases.
- c) The financial statements of the subsidiaries and the joint ventures are prepared for the same reporting period as the parent company, using consistent significant accounting policies.
- d) The financial statements of overseas subsidiaries are translated into Thai Baht at the average exchange rate ruling on the balance sheet date as to assets and liabilities and at the average exchange rate for the year as to revenues and expenses. The resultant differences are shown under the caption of "Translation adjustments" in the shareholders' equity.
- e) Material balances and transactions and investments in the subsidiaries and the joint ventures in the Company's accounts, the subsidiaries' share capital and capital of the joint ventures are eliminated from the consolidated financial statements.

f) The financial statements of the overseas subsidiaries for the years ended 31 December 2008 and 2007 included in the consolidated financial statements were prepared by the management of those subsidiaries and have not been audited by their auditors. Their aggregate assets were approximately Baht 29 million and Baht 377 million or 1% and 11% of the consolidated assets as at 31 December 2008 and 2007 respectively and their aggregated revenues were approximately Baht 1 million and Baht 1.2 million or 0.02% and 0.02% of the consolidated revenues for the years then ended respectively.

2.3 The separate financial statements, which present investments in subsidiaries and joint ventures under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards

3.1 Accounting standards which are effective for the current year

The Federation of Accounting Professions has issued Notification No. 9/2550, 38/2550 and 62/2550 mandating the use of the following new accounting standards.

| | |
|-----------------------|---|
| TAS 25 (revised 2007) | Cash Flow Statements |
| TAS 29 (revised 2007) | Leases |
| TAS 31 (revised 2007) | Inventories |
| TAS 33 (revised 2007) | Borrowing Costs |
| TAS 35 (revised 2007) | Presentation of Financial Statements |
| TAS 39 (revised 2007) | Accounting Policies, Changes in Accounting Estimates and Errors |
| TAS 41 (revised 2007) | Interim Financial Reporting |
| TAS 43 (revised 2007) | Business Combinations |
| TAS 49 (revised 2007) | Construction Contracts |
| TAS 51 | Intangible Assets |

These accounting standards became effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these standards and believes that TAS 33 and TAS 43 are not relevant to the business of the Company, while the other standards do not have any significant impact on the financial statements for the current year.

3.2 Accounting standards which are not effective for the current year

The Federation of Accounting Professions has also issued Notification No. 86/2551 mandating the use of the following new accounting standards.

| | |
|-----------------------|--|
| TAS 36 (revised 2007) | Impairment of Assets |
| TAS 54 (revised 2007) | Non-current Assets Held for Sale and Discontinued Operations |

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

4. Significant accounting policies

4.1 Revenue recognition

Construction income

Revenues from construction contracts, excluding value added tax, are recognised on the percentage-of-completion method based on the assessment of the project management. Provision for the total anticipated loss on construction projects will be made in the accounts as soon as the possibility of loss is ascertained.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

Dividends

Dividends are recognised when the right to receive the dividends is established.

4.2 Cash and cash equivalents

Cash and cash equivalents include cash and deposits at banks and finance companies, and all highly liquid investments with an original maturity of 3 months or less and not subject to withdrawal restrictions.

4.3 Construction contract debtors and allowance for doubtful accounts

Construction contract debtors are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

4.4 Construction contracts in progress and deferred construction revenues

The costs of construction contracts comprise the costs of materials, labour, subcontractors' charges, other services and overheads.

Contracts of which construction cost plus attributable profit exceeds amounts billed are shown as "Construction contracts in progress" under current assets in the balance sheets. Contracts of which amounts billed exceed construction cost plus attributable profit are shown as "Deferred construction revenues" under current liabilities in the balance sheets.

4.5 Inventories

Inventories, which comprise construction materials and spare parts, are valued at the lower of cost (average method) and net realisable value.

Allowance for diminution in inventory value is made for deteriorated inventories.

4.6 Investments

Investments in subsidiaries and joint ventures are accounted for in the separate financial statements under the cost method.

Investments in associate is accounted for under the cost method. The management believes that equity interest in the associate is immaterial to the Group and the Company.

Investments in other companies are stated at cost. Allowance for impairment loss will be made when the net realisable value is lower than the cost of investments.

4.7 Plant and equipment

Plant and equipment are stated at cost or revalued amount less accumulated depreciation and allowance for impairment loss.

All items of plant and equipment are initially recorded at cost on acquisition dates. Buildings are subsequently revalued, by independent professional valuer, to their fair value. Revaluations are made with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value at the balance sheet date.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of a revaluation of the Company's assets, the increase is credited directly to equity under the heading of "Revaluation surplus on assets". However, a revaluation increase will be recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation of the Company's assets, the decrease is recognised as an expense in the income statement. However, a revaluation decrease is to be charged directly against the related "Revaluation surplus on assets" to the extent that the decrease does not exceed the amount held in the "Revaluation surplus on assets" in respect of those same assets. Any excess amount is to be recognised as an expense in the income statement.

4.8 Depreciation

Depreciation of plant and equipment is calculated by reference to their costs or the revalued amounts on the straight-line basis over the following estimated useful lives:

| | | |
|--------------------------------------|---|-----------------|
| Building on leasehold land | - | period of lease |
| Construction machinery and equipment | - | 3 - 10 years |
| Furniture, fixtures and equipment | - | 3 - 6 years |
| Motor vehicles | - | 3 - 6 years |

Depreciation of revaluation of buildings is calculated on the straight-line basis over the remaining lease period.

The depreciation is dealt with in the financial statements as follows:

- Depreciation attributed to the original cost portion is included in determining income.
- Depreciation attributed to the surplus portion is deducted against revaluation surplus in the shareholders' equity.

4.9 Investments in real estate

Investments in real estate are stated at cost. If the fair value of the real estate declines to significantly less than its cost, the investments in real estate are stated at cost net allowance for impairment loss.

4.10 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

4.11 Long-term leases

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. The asset acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease period.

Leases of equipment which all the risks and rewards of ownership remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease period.

4.12 Provident fund and employees' benefits

The Company has a provident fund scheme to provide benefits to employees upon retirement or resignation. The scheme's assets are managed by separate trustee administered fund. In addition, the Company has other welfares to its employees including retirement, resignation and termination, in which provision has been made based on the estimation of the management.

Salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

4.13 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the balance sheet date.

Gains and losses on exchange are included in determining income.

4.14 Impairment of assets

At each reporting date, the Company performs impairment reviews in respect of the plant and equipment whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement. However in cases where plant was previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

4.15 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.16 Income Tax

Income tax is provided in the accounts based on taxable profits determined in accordance with tax legislation.

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

5.1 Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

5.2 Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

5.3 Impairment of investments

The Company treats other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment.

5.4 Plant and equipment and depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company’s plant and equipment and to review estimate useful lives and salvage values when there are any changes.

The Company measures buildings at revalued amounts. Such amounts are determined by the independent valuer using the market approach. The valuation involves certain assumptions and estimates.

In addition, the management is required to review plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

5.5 Post-retirement benefits

In determining post-retirement benefit costs, the management is required to make estimates. Inherent within these estimates are assumptions as to the length of employees services and average remuneration of the employees, among others.

5.6 Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgment to assess of the results of the litigation and believes that provisions as recorded as at the balance sheet date is adequate.

6. Cash and cash equivalents/Restricted deposits

Cash and cash equivalents as at 31 December 2008 and 2007 as reflected in the statements of cash flows consist of the following:

| | (Unit: Baht) | | | |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Cash and deposits at banks | 206,997,299 | 271,874,767 | 190,693,693 | 208,530,724 |
| Fixed deposits at banks | 427,953,324 | 85,626,320 | 341,909,324 | 85,626,320 |
| Deposits at finance companies | 5,600,000 | 1,000,000 | - | - |
| Total | 640,550,623 | 358,501,087 | 532,603,017 | 294,157,044 |
| Less: Restricted deposits | <u>(282,949,919)</u> | <u>(162,539,648)</u> | <u>(196,905,919)</u> | <u>(162,539,648)</u> |
| Cash and cash equivalents | <u>357,600,704</u> | <u>195,961,439</u> | <u>335,697,098</u> | <u>131,617,396</u> |

As at 31 December 2008, the Company and its subsidiaries had pledged their bank deposits of approximately Baht 282.9 million (2007: Baht 162.5 million) with banks to secure the bank overdrafts and the letters of guarantees issued by the banks on behalf of the Group (the Company only: Baht 196.9 million (2007: Baht 162.5 million)).

7. 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 services provided and some of these projects have been subject to legal actions taken by the Company.

The balance of construction contract debtors as at 31 December 2008 and 2007 aged on the basis of due dates are summarised below.

| | (Unit: Baht) | | | |
|---|----------------------|--------------------|----------------------|--------------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| <u>Age of receivables</u> | | | | |
| Related party | | | | |
| Past due | | | | |
| Not over 3 months | - | - | 3,210,019 | - |
| Total | - | - | 3,210,019 | - |
| Retention payment under construction contracts | - | - | 1,972,499 | 196,665 |
| Construction contract debtors - related party | - | - | 5,182,518 | 196,665 |
| Unrelated parties | | | | |
| Not yet due | 309,309,675 | 311,100,847 | 306,609,142 | 301,938,568 |
| Past due | | | | |
| Not over 3 months | 122,028,597 | 167,146,553 | 122,028,597 | 167,146,553 |
| 3 - 6 months | 94,204,479 | 18,057,126 | 94,204,479 | 18,057,126 |
| 6 - 12 months | 32,922,598 | 24,184,296 | 32,922,598 | 24,184,296 |
| Over 12 months | 93,918,602 | 82,726,244 | 93,918,602 | 82,726,244 |
| Total | 652,383,951 | 603,215,066 | 649,683,418 | 594,052,787 |
| Retention payment under construction contracts | 387,452,734 | 386,546,494 | 382,814,864 | 385,701,438 |
| Total | 1,039,836,685 | 989,761,560 | 1,032,498,282 | 979,754,225 |
| Less: Allowance for doubtful accounts | (167,165,464) | (107,922,671) | (167,165,464) | (107,922,671) |
| Construction contract debtors - unrelated parties | 872,671,221 | 881,838,889 | 865,332,818 | 871,831,554 |
| Construction contract debtors - net | 872,671,221 | 881,838,889 | 870,515,336 | 872,028,219 |

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.

8. Investments in subsidiaries

Detail of investments in subsidiaries as presented in the separate financial statements are as follows:

(Unit: Baht)

| | Separate financial statements | | | | | | | | | |
|--|-------------------------------|---------|------------------------|----------------------|-----------------------------|------------------------|---------------------------|--------------------|-----------------------------------|----------|
| | Shareholding percentage | | Investment value under | | Allowance for impairment of | | Carrying amounts based on | | Dividend received during for year | |
| | 2008 | 2007 | cost method | | investments | | cost method - net | | 2008 | 2007 |
| | Percent | Percent | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Construction business | | | | | | | | | | |
| Christiani & Nielsen Construction (Thai) | | | | | | | | | | |
| Company Limited | 100.0 | 100.0 | 1,000,000 | 1,000,000 | (1,000,000) | (1,000,000) | - | - | - | - |
| Holding companies | | | | | | | | | | |
| CNT Holdings Limited | 100.0 | 100.0 | 2,599,999,930 | 2,599,999,930 | (2,503,300,000) | (2,265,000,000) | 96,699,930 | 334,999,930 | - | - |
| Indochina Investments Ltd. | 90.0 | - | 3,784,320 | - | - | - | 3,784,320 | - | 39,970,022 | - |
| Harmony Property Group Ltd. | 75.0 | - | 5,256,000 | - | - | - | 5,256,000 | - | 230,382,768 | - |
| Plan administrator | | | | | | | | | | |
| CN Advisory Company Limited | 100.0 | 100.0 | 1,000,000 | 1,000,000 | - | - | 1,000,000 | 1,000,000 | - | - |
| Total investments in subsidiaries | | | 2,611,040,250 | 2,601,999,930 | (2,504,300,000) | (2,266,000,000) | 106,740,250 | 335,999,930 | 270,352,790 | - |

In November 2008, the Company invested in Harmony Property Group Limited and Indochina Investments Limited, foreign subsidiaries (held by CNT Holdings Limited, a subsidiary of the Company) of USD 150,000 and USD 108,000, respectively, as a result of the increase in registered capital of those two companies.

During 2008, the Company had set additional allowance for impairment loss of investment in CNT Holdings Limited of Baht 238 million, which was separately shown in the separate income statements.

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.

9. Investments in joint ventures

9.1 Detail of investments in joint ventures

Investments in joint ventures represent investments in entities which are jointly controlled by the Company and other companies. Details of these investments are as follows:

(Unit: Baht)

| Jointly controlled entities | Separate financial statements | | | | | |
|--|-------------------------------|---------|-------------------|------------------|-----------------------|------------------|
| | Shareholding | | Investment value | | Dividend received for | |
| | percentage | | under cost method | | the year ended 31 | |
| | 2008 | 2007 | 2008 | 2007 | December | |
| | Percent | Percent | | | 2008 | 2007 |
| Construction business | | | | | | |
| NWR, ITD, CNT & AS Joint Venture | 25.0 | 25.0 | - | - | - | 2,000,000 |
| PAN ASIA - CNT Joint Venture | 45.0 | 45.0 | 1,800,000 | 1,800,000 | - | - |
| Total investments in joint ventures | | | <u>1,800,000</u> | <u>1,800,000</u> | <u>-</u> | <u>2,000,000</u> |

Since 2002, the Company had invested Baht 2 million, representing 25% interest of NWR, ITD, CNT & AS Joint Venture, and had received its return from investment during the year 2007. The joint venture is in the liquidation process.

9.2 Summarised financial information of joint ventures

a) NWR, ITD, CNT & AS Joint Venture

The Company's proportionate shares of the assets of NWR, ITD, CNT & AS Joint Venture according to proportion under joint venture agreement are as follows:

(Unit: Million Baht)

| | As at 31 December | |
|----------------|-------------------|-------------|
| | <u>2008</u> | <u>2007</u> |
| Current assets | <u>1</u> | <u>1</u> |
| Net assets | <u>1</u> | <u>1</u> |

b) PAN ASIA - CNT Joint Venture

The Company's proportionate shares of the assets, liabilities, revenue, and expenses of PAN ASIA - CNT Joint Venture according to proportion under joint venture agreement are as follows:

| | (Unit: Million Baht) | |
|------------------------------------|----------------------|-------------|
| | As at 31 December | |
| | <u>2008</u> | <u>2007</u> |
| Current assets | 32 | 31 |
| Current liabilities | <u>(28)</u> | <u>(29)</u> |
| Net assets | <u>4</u> | <u>2</u> |
| Construction income | 47 | 19 |
| Cost of construction | (43) | (17) |
| Administrative expenses | <u>(2)</u> | <u>(1)</u> |
| Income before corporate income tax | 2 | 1 |
| Corporate income tax | <u>(1)</u> | <u>-</u> |
| Net income | <u>1</u> | <u>1</u> |

10. Investments in associate and other companies

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

| | Shareholding | | Consolidated | | Separate | |
|---|--------------|-------------|----------------------|------------------|----------------------|----------------|
| | percentage | | financial statements | | financial statements | |
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| | Percent | Percent | | | | |
| Investment in associate | | | | | | |
| International Machinery Supplies Co., Ltd. | 31.94 | 31.94 | 7,500,000 | 7,500,000 | - | - |
| Total | | | 7,500,000 | 7,500,000 | - | - |
| Less: Allowance for impairment of investment | | | (7,500,000) | (7,500,000) | - | - |
| Investment in associate - net | | | - | - | - | - |
| Investments in other companies | | | | | | |
| Saturn Inc. | 13.11 | 13.11 | 2,218,125 | 2,218,125 | - | - |
| Phuket Land Development Co., Ltd. | 15.00 | 15.00 | 3,000,000 | 3,000,000 | - | - |
| Thai Worldwide Contractors Co., Ltd. | 2.94 | 2.94 | 100,000 | 100,000 | 100,000 | 100,000 |
| Thai Contractors Asset Co., Ltd. | 0.20 | 0.20 | 750,000 | 500,000 | 750,000 | 500,000 |
| Total | | | 6,068,125 | 5,818,125 | 850,000 | 600,000 |
| Less: Allowance for impairment of investment | | | (3,000,000) | (3,000,000) | - | - |
| Investments in other companies - net | | | 3,068,125 | 2,818,125 | 850,000 | 600,000 |
| Total investments in associate and other companies - net | | | | | | |
| | | | <u>3,068,125</u> | <u>2,818,125</u> | <u>850,000</u> | <u>600,000</u> |

During 2008, CNT Holdings Limited received a dividend of approximately Baht 4 million (2007: Baht 14 million) from Saturn Inc., which was shown in the consolidated income statements.

According to the unaudited financial statements of Saturn Inc., the net worth attributable to the subsidiary's investment as at 31 December 2008 was approximately Baht 2 million (2007: Baht 5 million, audited).

11. Related party transactions

During the years, the Company, its subsidiaries and joint ventures had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

| | Consolidated | | Separate | | Transfer pricing and lending policy |
|---|----------------------|-------------|----------------------|-------------|---|
| | financial statements | | financial statements | | |
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> | |
| Transactions with the subsidiaries | | | | | |
| Rental and service income | - | - | 0.1 | 0.1 | Based on the prices agreed between the parties, which approximate the market prices |
| Interest income | - | - | 0.8 | 0.8 | Interest rate at MOR plus 0.25% per annum |
| Dividend income | - | - | 270.4 | - | At the declared rate |
| Transactions with the joint ventures | | | | | |
| Service income | - | 4.4 | 35.3 | 18.2 | Cost plus margin |
| Operating cost reimbursement | 0.5 | 2.5 | 2.9 | 3.5 | Cost plus margin |
| Interest income | - | - | 0.1 | - | Interest rate at 3.75% per annum |
| Dividend income | - | - | - | 2.0 | At the declared rate |

As at 31 December 2008 and 2007, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Baht)

| | Consolidated | | Separate | |
|--|----------------------|-------------|----------------------|----------------|
| | financial statements | | financial statements | |
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Construction contract debtors - related party | | | | |
| <i>Joint venture</i> | | | | |
| PAN ASIA - CNT Joint Venture | - | - | 5,182,518 | 196,665 |
| Total construction contract debtors - related party | - | - | 5,182,518 | 196,665 |

(Unit: Baht)

| | Consolidated | | Separate | |
|--|----------------------|------------------|----------------------|-------------------|
| | financial statements | | financial statements | |
| | 2008 | 2007 | 2008 | 2007 |
| Amounts due from and loans to related parties | | | | |
| <i>Amounts due from the subsidiaries and joint venture</i> | | | | |
| CNT Holdings Limited | - | - | 890 | - |
| Christiani & Nielsen Construction (Thai) Company Limited | - | - | 20,932,551 | 20,152,573 |
| CN Advisory Company Limited | - | - | 16,050 | 32,100 |
| PAN ASIA - CNT Joint Venture | 1,336,695 | 1,048,772 | 3,067,958 | 3,807,512 |
| Total | 1,336,695 | 1,048,772 | 24,017,449 | 23,992,185 |
| Less: Allowance for doubtful accounts | - | - | (20,932,000) | (20,150,000) |
| Total amounts due from the subsidiaries and joint venture - net | 1,336,695 | 1,048,772 | 3,085,449 | 3,842,185 |
| <i>Loans to subsidiary and joint venture</i> | | | | |
| Christiani & Nielsen Construction (Thai) Company Limited | - | - | 10,300,000 | 10,300,000 |
| PAN ASIA - CNT Joint Venture | - | - | 2,700,000 | 2,700,000 |
| Total | - | - | 13,000,000 | 13,000,000 |
| Less: Allowance for doubtful accounts | - | - | (10,300,000) | (10,300,000) |
| Total loans to subsidiary and joint venture - net | - | - | 2,700,000 | 2,700,000 |
| Total amounts due from and loans to related parties - net | 1,336,695 | 1,048,772 | 5,785,449 | 6,542,185 |
| Advances from customers | | | | |
| <i>Joint venture</i> | | | | |
| PAN ASIA - CNT Joint Venture | - | - | 6,711,506 | 10,263,174 |
| Total advances from customers - joint venture | - | - | 6,711,506 | 10,263,174 |

During the year ended 31 December 2008, there was no movement of loans to subsidiary and joint venture.

Directors and management's remuneration

During the year ended 31 December 2008, the Company paid salaries, bonus, meeting allowances and gratuities to their directors and management totaling approximately Baht 36.3 million (2007: Baht 35.5 million).

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 29.

12. Plant and equipment

(Unit: Baht)

| Consolidated financial statements | | | | | |
|--------------------------------------|-----------------------------------|---|---|-------------------|--------------|
| | Revaluation | | Cost basis | | |
| | basis | | | | |
| | Buildings on leasehold land | Construction machinery and equipment | Furniture, fixtures and equipment | Motor vehicles | Total |
| Cost/Revalued amount | | | | | |
| As at 31 December 2007 | 71,540,068 | 580,849,611 | 76,002,305 | 108,828,606 | 837,220,590 |
| Additions | 1,449,214 | 25,775,267 | 11,010,461 | 1,246,149 | 39,481,091 |
| Disposals | - | (6,328,576) | (5,872,358) | (3,155,618) | (15,356,552) |
| As at 31 December 2008 | 72,989,282 | 600,296,302 | 81,140,408 | 106,919,137 | 861,345,129 |
| Accumulated depreciation | | | | | |
| As at 31 December 2007 | 51,761,138 | 435,109,636 | 56,002,042 | 77,638,158 | 620,510,974 |
| Depreciation for the year (on cost) | 939,220 | 27,011,673 | 8,744,909 | 7,666,425 | 44,362,227 |
| Depreciation on revalued portion | 783,899 | - | - | - | 783,899 |
| Depreciation on disposals | - | (3,658,865) | (5,250,033) | (2,697,008) | (11,605,906) |
| As at 31 December 2008 | 53,484,257 | 458,462,444 | 59,496,918 | 82,607,575 | 654,051,194 |
| Allowance for impairment loss | | | | | |
| As at 31 December 2007 | - | 19,603,495 | 690,302 | 21,000 | 20,314,797 |
| Increase during the year | - | 1,200,000 | 4,000,000 | - | 5,200,000 |
| As at 31 December 2008 | - | 20,803,495 | 4,690,302 | 21,000 | 25,514,797 |
| Net book value | | | | | |
| As at 31 December 2007 | 19,778,930 | 126,136,480 | 19,309,961 | 31,169,448 | 196,394,819 |
| As at 31 December 2008 | 19,505,025 | 121,030,363 | 16,953,188 | 24,290,562 | 181,779,138 |
| Depreciation for the year | | | | | |
| 2007 | | | | | 42,727,229 |
| 2008 | | | | | 44,362,227 |

(Unit: Baht)

| | Separate financial statements | | | | |
|--------------------------------------|-------------------------------|-----------------------------------|----------------|-------------|--------------|
| | Revaluation | | Cost basis | | |
| | basis | | | | |
| | | Construction | | | |
| Buildings on leasehold land | machinery and equipment | Furniture, fixtures and equipment | Motor vehicles | Total | |
| Cost/Revalued amount | | | | | |
| As at 31 December 2007 | 71,540,068 | 580,849,611 | 75,997,305 | 108,828,606 | 837,215,590 |
| Additions | 1,449,214 | 25,724,154 | 11,010,461 | 1,246,149 | 39,429,978 |
| Disposals | - | (6,328,576) | (5,872,358) | (3,155,618) | (15,356,552) |
| As at 31 December 2008 | 72,989,282 | 600,245,189 | 81,135,408 | 106,919,137 | 861,289,016 |
| Accumulated depreciation | | | | | |
| As at 31 December 2007 | 51,761,138 | 435,109,636 | 55,997,043 | 77,638,158 | 620,505,975 |
| Depreciation for the year (on cost) | 939,220 | 27,011,673 | 8,744,909 | 7,666,425 | 44,362,227 |
| Depreciation on revalued portion | 783,899 | - | - | - | 783,899 |
| Depreciation on disposals | - | (3,658,865) | (5,250,033) | (2,697,008) | (11,605,906) |
| As at 31 December 2008 | 53,484,257 | 458,462,444 | 59,491,919 | 82,607,575 | 654,046,195 |
| Allowance for impairment loss | | | | | |
| As at 31 December 2007 | - | 19,603,495 | 690,302 | 21,000 | 20,314,797 |
| Increase during the year | - | 1,200,000 | 4,000,000 | - | 5,200,000 |
| As at 31 December 2008 | - | 20,803,495 | 4,690,302 | 21,000 | 25,514,797 |
| Net book value | | | | | |
| As at 31 December 2007 | 19,778,930 | 126,136,480 | 19,309,960 | 31,169,448 | 196,394,818 |
| As at 31 December 2008 | 19,505,025 | 120,979,250 | 16,953,187 | 24,290,562 | 181,728,024 |
| Depreciation for the year | | | | | |
| 2007 | | | | | 42,727,229 |
| 2008 | | | | | 44,362,227 |

As at 31 December 2008, the Company had equipment under finance lease agreements with net book value amounting to Baht 21.8 million (2007: Baht 27.6 million).

As at 31 December 2008, certain plant and equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 577 million (2007: Baht 556 million).

During the year 2007, the Company arranged for an independent professional valuer to reappraise the value of its buildings. The revaluation was conducted on 23 February 2007 using the market approach, the result of which showed a Baht 9.7 million increase in the book value of the buildings. The Company recorded the revaluation increase of buildings as the “Revaluation surplus on assets” in the shareholders’ equity, and reversed to the income statement the previously recorded allowance for impairment loss of Baht 0.97 million.

The revaluation surplus can neither be offset against deficit nor be used for dividend payment.

Breakdown of buildings on leasehold land carried on the revaluation basis and their accumulated depreciation is as follows.

| | (Unit: Baht) | |
|--|--------------------------|--------------------------|
| | <u>2008</u> | <u>2007</u> |
| Original cost | 56,472,463 | 55,023,249 |
| Surplus from revaluation | <u>16,516,819</u> | <u>16,516,819</u> |
| Revalued amount | <u><u>72,989,282</u></u> | <u><u>71,540,068</u></u> |
| Accumulated depreciation on original cost | 45,181,545 | 44,242,325 |
| Accumulated depreciation on surplus from revaluation | <u>8,302,712</u> | <u>7,518,813</u> |
| Accumulated depreciation on revalued amount | <u><u>53,484,257</u></u> | <u><u>51,761,138</u></u> |
| Net book value | <u><u>19,505,025</u></u> | <u><u>19,778,930</u></u> |

In October 2006, the Federation of Accounting Professions issued Notification No. 25/2006 allowing entities which carry their property, plant and equipment at revalued amounts to calculate depreciation to be charged to the income statements based on the historical costs of the assets instead of on the revalued amounts. The Company has decided to follow the notification. However, had the depreciation charge been calculated based on the revalued amounts, net income and earnings per share would have been changed to the following:

| | Consolidated | | Separate | |
|---|----------------------|-------------|----------------------|-------------|
| | financial statements | | financial statements | |
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Net income (Million Baht) | 3.11 | 116.51 | 66.38 | 76.98 |
| Basic earnings per share (Baht per share) | 0.01 | 0.30 | 0.17 | 0.19 |

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% 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 December 2008 and 2007.

The Court had on 1 September 2005 ordered the release from the rehabilitation plan, whereby, 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.

14. Net assets of discontinued operation units

| | (Unit: Baht) | |
|---|----------------------|--------------------|
| | Consolidated | |
| | financial statements | |
| | <u>2008</u> | <u>2007</u> |
| Total assets | 18,034,859 | 330,264,495 |
| Total liabilities | (48,476) | (48,250) |
| Net assets before allowance | 17,986,383 | 330,216,245 |
| Less: Allowance for diminution in value of assets | - | (2,854,600) |
| Net assets | <u>17,986,383</u> | <u>327,361,645</u> |

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

15. Investments in real estate

Investments in real estate consist of investments in the following assets:

| | (Unit: Baht) | | | |
|-------------------------------------|----------------------|--------------------|----------------------|--------------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Land | 107,007,464 | 107,007,464 | 107,007,464 | 107,007,464 |
| Condominium units | 9,313,950 | 9,313,950 | 9,313,950 | 9,313,950 |
| Total | 116,321,414 | 116,321,414 | 116,321,414 | 116,321,414 |
| Less: Allowance for impairment loss | (13,090,414) | (13,090,414) | (13,090,414) | (13,090,414) |
| Investments in real estate - net | <u>103,231,000</u> | <u>103,231,000</u> | <u>103,231,000</u> | <u>103,231,000</u> |

During the year 2007, the Company reversed allowance for impairment loss of land and condominium units of Baht 9.1 million to the income statement.

The Company has mortgaged its 3 plots of land of Baht 14.6 million (2007: Baht 14.6 million) with a bank to secure the bank overdrafts granted by that bank as discussed in Note 16.

16. Bank overdrafts and short-term bank loans

| | Interest rate (percent per annum) | (Unit: Baht) | | | |
|----------------------|---|----------------------|-------------------|----------------------|-------------------|
| | | Consolidated | | Separate | |
| | | financial statements | | financial statements | |
| | | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Bank overdrafts | MOR | 2,847,170 | 16,727,074 | 2,847,170 | 16,727,074 |
| Short-term bank loan | 7.25 | 41,293,921 | 20,000,000 | 41,293,921 | 20,000,000 |
| Total | | <u>44,141,091</u> | <u>36,727,074</u> | <u>44,141,091</u> | <u>36,727,074</u> |

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.

17. Liabilities under hire-purchase and finance lease agreements

(Unit: Baht)

| | Consolidated | | Separate | |
|---|----------------------|---------------------|----------------------|---------------------|
| | financial statements | | financial statements | |
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Liabilities under hire-purchase and finance lease agreements | 16,427,361 | 26,348,297 | 16,427,361 | 26,348,297 |
| Less: Deferred interest expenses | <u>(1,608,655)</u> | <u>(3,208,868)</u> | <u>(1,608,655)</u> | <u>(3,208,868)</u> |
| | 14,818,706 | 23,139,429 | 14,818,706 | 23,139,429 |
| Less: Portion due within one year | <u>(7,687,914)</u> | <u>(10,120,829)</u> | <u>(7,687,914)</u> | <u>(10,120,829)</u> |
| Liabilities under hire-purchase and finance lease agreements - net of current portion | <u>7,130,792</u> | <u>13,018,600</u> | <u>7,130,792</u> | <u>13,018,600</u> |

The Company entered into finance lease agreements with leasing companies for lease of vehicles for use in its operations, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally 4 years and such agreements are non-cancellable.

As at 31 December 2008, future minimum lease payments required under the hire-purchase and finance lease agreements were as follows:

(Unit: Million Baht)

| | Less than | 1 - 2 | Total |
|--|--------------|--------------|--------------|
| | 1 year | years | |
| Future minimum lease payments | 8.7 | 7.7 | 16.4 |
| Less: Deferred interest expense | <u>(1.0)</u> | <u>(0.6)</u> | <u>(1.6)</u> |
| Present value of future minimum lease payments | <u>7.7</u> | <u>7.1</u> | <u>14.8</u> |

18. Share capital

(Unit: Baht)

| | <u>2008</u> | <u>2007</u> |
|--|---------------------------|--------------------|
| | Authorised and registered | |
| 401,162,888 ordinary shares of Baht 1 each | <u>401,162,888</u> | <u>401,162,888</u> |
| Issued and fully paid up | | |
| 401,161,682 ordinary shares of Baht 1 each | <u>401,161,682</u> | <u>401,161,682</u> |

19. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

20. 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.

21. Expenses by nature

Significant expenses by nature are as follows:

| | (Unit: Baht) | | | |
|-------------------------------|----------------------|---------------|----------------------|---------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Construction material costs | 1,733,820,195 | 1,901,211,979 | 1,718,884,077 | 1,887,849,563 |
| Subcontractor costs | 1,633,535,236 | 2,280,494,699 | 1,616,203,840 | 2,274,286,653 |
| Salary and wages and other | | | | |
| employee benefits | 878,743,839 | 1,060,583,827 | 878,003,775 | 1,060,583,827 |
| Depreciation | 44,362,227 | 42,727,229 | 44,362,227 | 42,727,229 |
| Impairment loss of investment | - | - | 238,300,000 | - |
| Doubtful debts | 62,628,181 | - | 63,410,181 | - |

22. Corporate income tax

The Company is not liable to corporate income tax for the years 2008 and 2007 due to tax loss brought forward.

23. Earnings per share

Earnings per share as presented in the income statements is the basic earnings per share which is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year, which is presented net of own shares held by the subsidiary in the consolidated financial statements, as detailed below.

| | (Unit: Shares) | |
|---|---------------------------|---------------------------|
| | <u>2008</u> | <u>2007</u> |
| Weighted average number of ordinary shares | | |
| (separate financial statements) | 401,161,682 | 401,161,682 |
| Less: The Company's shares held by the subsidiary | <u>(13,552,457)</u> | <u>(13,552,457)</u> |
| Weighted average number of ordinary shares - net | | |
| (consolidated financial statements) | <u><u>387,609,225</u></u> | <u><u>387,609,225</u></u> |

24. Dividend paid

(Unit: Baht)

| Dividends | Approved by | Total dividends | | Dividend per share | Payment date |
|---------------------------------|--|-----------------------------------|-------------------------------|--------------------|--------------|
| | | Consolidated financial statements | Separate financial statements | | |
| Final dividends for 2007 | Annual General Meeting of the shareholders No. 75 on 10 April 2008 | <u>38,759,711</u> | <u>40,114,957</u> | <u>0.10</u> | 9 May 2008 |
| Total dividends for 2008 | | <u>38,759,711</u> | <u>40,114,957</u> | <u>0.10</u> | |
| Final dividends for 2006 | Annual General Meeting of the shareholders No. 74 on 23 April 2007 | <u>19,379,852</u> | <u>20,057,475</u> | <u>0.05</u> | 21 May 2007 |
| Total dividends for 2007 | | <u>19,379,852</u> | <u>20,057,475</u> | <u>0.05</u> | |

25. Supplementary information of the construction contracts

The total construction costs after being adjusted realized gains or losses of the construction contracts up to 31 December 2008 were approximately Baht 14,967 million (the Company only: Baht 14,951 million). The Company and the joint ventures had already billed for the contract in progress to project owners of approximately Baht 14,118 million (the Company only: Baht 14,069 million).

26. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 5 percent of basic salary. The fund, which is managed by Siam Commercial Bank Asset Management Co., Ltd., will be paid to employees upon termination in accordance with the fund rules. During the year 2008, the Company contributed Baht 9.6 million (2007: Baht 8.9 million) to the fund.

27. Financial information by segment

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

Geographical segment information of the Company, its subsidiaries and joint ventures for the years ended 31 December 2008 and 2007 was as follows:

(Unit: Million Baht)

| | Consolidated financial statements for the years ended 31 December | | | | |
|---|--|----------|-------------|--------------|--------------|
| | Other countries in | | | Total | |
| | Thailand | Asia | Eliminated | 2008 | 2007 |
| Revenue from external customers | 5,012 | - | - | 5,012 | 6,298 |
| Inter-segment revenue | 35 | - | (35) | - | 4 |
| Total revenues | <u>5,047</u> | <u>-</u> | <u>(35)</u> | <u>5,012</u> | <u>6,302</u> |
| Segment operating income | 280 | - | - | 280 | 255 |
| Results of discontinued operation units | - | (36) | - | (36) | 25 |
| Unallocated income and expenses: | | | | | |
| Other income | | | | 60 | 37 |
| Administrative expenses | | | | (291) | (196) |
| Finance cost | | | | (8) | (4) |
| Corporate income tax | | | | (1) | - |
| Net income | | | | <u>4</u> | <u>117</u> |

(Unit: Million Baht)

| | Consolidated as at 31 December | | | | |
|-------------------------------------|--------------------------------|-----------|----------------|--------------|--------------|
| | Other countries in | | | Total | |
| | Thailand | Asia | Eliminated | 2008 | 2007 |
| Construction contract debtors - net | 878 | - | (5) | 873 | 882 |
| Construction contracts in progress | 919 | - | (13) | 906 | 861 |
| Plant and equipment - net | 182 | - | - | 182 | 196 |
| Other assets | 5,656 | 48 | (4,327) | 1,377 | 1,362 |
| Total assets | <u>7,635</u> | <u>48</u> | <u>(4,345)</u> | <u>3,338</u> | <u>3,301</u> |

Transfer prices between business segments are set out in Note 11.

28. Operating lease commitments

As at 31 December 2008, the Group and the Company had operating lease commitments as follows:

- (a) Commitment in respect of long-term lease of land on which the Group's and Company's office and warehouse are located, for 20 years ending 14 June 2009.

On 30 August 2007, the Company renewed the lease agreement for another 10 years from 15 June 2009 to 14 June 2019. The future rental payable under this lease agreement is approximately Baht 156.2 million.

As at 31 December 2008, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

| | <u>Million Baht</u> |
|-------------------|---------------------|
| Payable within: | |
| Less than 1 year | 10.0 |
| 1 to 5 years | 52.0 |
| More than 5 years | 94.2 |
| | <u>156.2</u> |

- (b) Commitments under lease agreements for lease of vehicles of approximately Baht 6.5 million.

29. Contingent liabilities

As at 31 December 2008, 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 contractual payments, performance bonds and finance facilities of approximately Baht 50 million (2007: Baht 134 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 2,181 million (2007: Baht 1,782 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. These included letters of guarantee as follows:

| | (Unit: Million Baht) | |
|--------------------------|----------------------|--------------|
| | <u>2008</u> | <u>2007</u> |
| <u>Type of guarantee</u> | | |
| Contractual performance | 727 | 598 |
| Advances | 685 | 554 |
| Project tender | 188 | 305 |
| Payment due to creditors | 217 | 186 |
| Retention | 364 | 139 |
| | <u>2,181</u> | <u>1,782</u> |

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 notification from an agency, with which the Company had expressed its intention to join the bidding for a construction project, advising that it had 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 for a review of certain construction project bidding procedures. On 5 February 2007, the Company made a countercharge to the Central Administration Court to repeal an order to retain the bid guarantee. Later on 12 February 2007, the Company received notification from an Authority, to which the Company wrote a letter, stating that the retention of the bid guarantee was in accordance with bidding conditions and requirements and could not be exempted. However, on 18 December 2008, the Central Administration Court announced a judgement resulting in the agency to return the Company's bid guarantee of Baht 168 million and reduction of penalty to Baht 16.8 million. As at 31 December 2008, the Company had recorded such liabilities included in other current liabilities in the balance sheet.

- (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 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 received 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.

30. Financial instruments

30.1 Financial risk management

The Company's and the subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, and investments. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company is exposed to credit risk primarily with respect to construction contract debtors. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base and the majority of construction services are made to creditworthy customers. The maximum exposure to credit risk is limited to the carrying amount of receivables less allowance for doubtful accounts as stated in the balance sheet.

Interest rate risk

The Company's and the subsidiaries' exposure to interest rate risk relates primarily to its cash at banks and bank overdrafts. However, since most of the Company's and the subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2008 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

Consolidated financial statements

| | Fixed interest rates | | Floating interest rate | Non- interest bearing | Total | Interest rate (% p.a.) |
|---|----------------------|-----------|------------------------------|-----------------------------|--------------|---------------------------|
| | Within | 1-5 years | | | | |
| | 1 year | | (Million Baht) | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | 242 | - | 101 | 14 | 357 | 0.05 - 3.875 |
| Construction contract debtors | - | - | - | 873 | 873 | - |
| Restricted deposits | 166 | 26 | 91 | - | 283 | 0.50 - 3.50 |
| Net assets of discontinued operation units | 4 | - | 13 | 1 | 18 | 0.21 - 1.18 |
| | <u>412</u> | <u>26</u> | <u>205</u> | <u>888</u> | <u>1,531</u> | |

Financial liabilities

| | | | | | | |
|--|-----------|-----------|----------|--------------|--------------|-------------|
| Bank overdrafts and short- term bank loan | 41 | - | 3 | - | 44 | 7.10 - 8.25 |
| Accounts payable and accrued construction costs | - | - | - | 1,055 | 1,055 | - |
| Liabilities under hire purchase and financial lease agreements | - | 15 | - | - | 15 | 3.64 - 8.50 |
| | <u>41</u> | <u>15</u> | <u>3</u> | <u>1,055</u> | <u>1,114</u> | |

Separate financial statements

| | Fixed interest rates | | Floating interest rate | Non- interest bearing | Total | Interest rate (% p.a.) |
|-------------------------------|----------------------|-----------|------------------------------|-----------------------------|--------------|---------------------------|
| | Within | 1-5 years | | | | |
| | 1 year | | (Million Baht) | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | 236 | - | 87 | 13 | 336 | 0.125 - 2.60 |
| Construction contract debtors | - | - | - | 871 | 871 | - |
| Restricted deposits | 106 | - | 91 | - | 197 | 0.50 - 3.50 |
| Loans to related parties | - | 13 | - | - | 13 | 3.75, MOR plus 0.25 |
| | <u>342</u> | <u>13</u> | <u>178</u> | <u>884</u> | <u>1,417</u> | |

Financial liabilities

| | | | | | | |
|---|-----------|-----------|----------|--------------|--------------|-------------|
| Bank overdrafts and short- term bank loan | 41 | - | 3 | - | 44 | 7.10 - 8.25 |
| Accounts payable and accrued construction costs | - | - | - | 1,055 | 1,055 | - |
| Liabilities under hire- purchase and financial lease agreements | - | 15 | - | - | 15 | 3.64 - 8.50 |
| | <u>41</u> | <u>15</u> | <u>3</u> | <u>1,055</u> | <u>1,114</u> | |

Foreign currency risk

The Company's and the subsidiaries' exposure to foreign currency risk arises mainly from investments and service payment transactions that are denominated in foreign currencies, which are currently not hedged by any derivative financial instruments. However, the balances of financial assets and liabilities denominated in foreign currencies are not significant, the foreign currency risk is expected to be minimal.

30.2 Fair values of financial instruments

Since the majority of the Company's and the subsidiaries' financial instruments are short-term in nature or bear interest rates close to market rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

31. Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

According to the balance sheet as at 31 December 2008, the Group's debt-to-equity ratio was 2.3:1 (2007: 2.2:1) and the Company's was 2.3:1 (2007: 2.4:1).

32. Subsequent event

On 26 February 2009, the meeting of the Board of Directors of the Company No. 382 passed a resolution approving the payment of dividend from the 2008 income to the Company's shareholders at Baht 0.08 per share or a total dividend payment of approximately Baht 32 million. The payment of dividend will later be proposed for approval in the Annual General Meeting of the Company's shareholders.

33. Approval of financial statements

These financial statements were authorised for issue by the Board of Directors of the Company on 26 February 2009.