

**CHRISTIANI & NIELSEN (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005**

**1. GENERAL INFORMATION**

**1.1 Corporate information**

Christiani & Nielsen (Thai) Public Company Limited is incorporated and domiciled in Thailand as a limited company under Thai law and transformed to be a public company under the Public Limited Companies Act on 26 November 1992. The Company is principally engaged in the construction business and its registered address and head office is at 451 La Salle Road (Sukhumvit 105), Kwaeng Bangna, Khet Bangna, Bangkok. The Company has various local and overseas subsidiary companies as detailed in Note 3.1.

**1.2 Discontinued operations 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 2006 and 2005.

**2. BASIS OF PREPARATION**

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements 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 have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

### 3 BASIS OF CONSOLIDATION

3.1 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 Venture as follows :-

	Country of incorporation	Currency	Paid-up share capital		Percentage of shareholding by the group	
			2006 (Unit : Thousand)	2005	2006 Percent	2005 Percent
<u>Construction business</u>						
<u>Held by the Company</u>						
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
<u>Holding companies</u>						
<u>Held by the Company</u>						
CNT Holdings Limited	Thailand	Baht	2,600,000	2,600,000	100.0	100.0
<u>Held through the Subsidiaries</u>						
Indochina Investments Ltd.	Bermuda Islands	USD	12	12	100.0	100.0
Harmony Property Group Ltd.	British Virgin Islands	USD	50	50	100.0	100.0
<u>Property Development</u>						
<u>Held through the Subsidiaries</u>						
CN Place Silom Development Ltd.	Thailand	Baht	69,063	69,063	100.0	100.0
<u>Plan Administrator</u>						
<u>Held by the Company</u>						
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 with Nawarat Patanakarn Public Company Limited, Italian Thai Development Public Company Limited and A.S. Associate Engineering (1964) Company Limited with 25% interest each in NWR, ITD, CNT & AS Joint Venture, to construct the project Waste Water Treatment System Phase IV in Bangkok for the Bangkok Metropolitan Administration. The consolidated financial statements as at 31 December 2006 and 2005 and for the years then ended had therefore included the proportion of the assets,

liabilities, revenues and expenses of NWR, ITD, CNT & AS Joint Venture, the balances of which were as follows :-

	(Unit : Million Baht) Consolidated	
	2006	2005
Current assets	3	30
Current liabilities	-	(11)
Revenues	13	102
Expenses	(15)	(94)

- 3.2 When accounting for acquisitions, adjustments are made to the value of assets and liabilities acquired to reflect the management's estimate of the fair value of assets acquired. The difference between the Group's proportion of net assets acquired at their fair value and the consideration paid represents goodwill which was in the past written off directly against retained earnings. However, since 2000 it is recorded as an asset in the balance sheet and is amortised using a straight-line method over a period of 5 years or is fully amortised whenever there is an indication of impairment of investment.
- 3.3 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 have been shown under the caption of "Translation adjustments" in the shareholders' equity.
- 3.4 Intercompany balances and significant transactions and investments in the Subsidiaries and the Joint Venture in the Company's accounts, the Subsidiaries' share capital and capital of the Joint Venture are eliminated from the consolidated financial statements.
- 3.5 The results of the Subsidiaries and the Joint Venture are included in the consolidated financial statements since the date of acquisition or up to the effective date of disposal by the Group.
- 3.6 The financial statements of the overseas subsidiaries for the years ended 31 December 2006 and 2005 as 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 367 million and Baht 393 million or 12% and 15% of the consolidated assets as at 31 December 2006 and 2005 respectively and their aggregated revenues were approximately Baht 1.6 million and Baht 0.5 million or 0.03% and 0% of the consolidated revenues for the years then ended respectively.

#### 4 ADOPTION OF NEW ACCOUNTING STANDARDS

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

In this regard, the Company has elected to adopt the change in 2006, and restated its prior year financial statements as though the investments in the subsidiaries had originally been recorded using the cost method. The change has the effect of decreasing net income in the separate financial statements of 2006 and 2005 by approximately Baht 14 million and Baht 46 million (decreasing by Baht 0.04 per share and Baht 0.13 per share) respectively. 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 subsidiaries” in the statement of changes in shareholders’ equity (the separate financial statement).

#### 5. SIGNIFICANT ACCOUNTING POLICIES

##### 5.1 Revenue recognition

###### *Construction income*

Revenues from construction contracts, excluding value added tax, are recognized 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 recognized as interest accrues based on the effective rate method.

###### *Dividends*

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

## 5.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash 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.

## 5.3 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 debtor aging.

## 5.4 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.

## 5.5 Inventories

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

## 5.6 Investments

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

Investment in the 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.

## 5.7 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 recognized as an expense in the income statement.

## 5.8 Depreciation

Depreciation of plant and equipment is calculated by reference to their costs or the revalued amounts on the straight-line basis (to write off the cost or the revalued amount of assets to be expenses) 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 period of their remaining useful lives.

Depreciation is included in determining income.

## 5.9 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.



#### 5.10 Leased assets

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.

#### 5.11 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.

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

#### 5.12 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding on the balance sheet date are translated into Baht at the exchange rates ruling on the balance sheet date.

Exchange gains and losses are included in determining income.

### 5.13 Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and its value in use.

### 5.14 Provisions

Provisions are recognized 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.

### 5.15 Income Tax

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

### 5.16 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

## 6 CASH AND CASH EQUIVALENTS/RESTRICTED DEPOSITS

Cash and cash equivalents as at 31 December 2006 and 2005 as reflected in the balance sheets and the statements of cash flows consisted of the following:-

			(Unit : Baht)	
	Consolidated		The Company Only	
	2006	2005	2006	2005
Cash and deposits at banks	191,023,211	341,527,811	128,372,128	266,910,829
Fixed deposits at banks	99,237,292	130,267,861	99,237,292	130,267,861
Deposits at finance companies	3,100,000	3,070,000	-	-
Total	293,360,503	474,865,672	227,609,420	397,178,690
Less : Restricted deposits	(139,586,538)	(83,839,733)	(139,586,538)	(83,839,733)
Cash and cash equivalents	153,773,965	391,025,939	88,022,882	313,338,957

As at 31 December 2006, the Company had pledged its cash at banks of approximately Baht 139.6 million (2005 : Baht 83.8 million) with banks to secure the bank overdrafts and the letters of guarantees issued by the banks on behalf of the Company.

## 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. All outstanding contract debtors as at 31 December 2006 and 2005 were as follows :-

			(Unit : Baht)	
	Consolidated		The Company Only	
	2006	2005	2006	2005
Construction contract debtors	548,112,644	389,884,511	548,112,644	384,782,605
Retention payment under construction contracts	330,862,368	267,321,189	330,862,368	267,321,189
Total	878,975,012	657,205,700	878,975,012	652,103,794
Less : Allowance for doubtful accounts	(107,922,670)	(150,050,446)	(107,922,670)	(150,050,446)
Construction contracts debtors - net	771,052,342	507,155,254	771,052,342	502,053,348

As at 31 December 2006 and 2005, the outstanding balance of construction contract debtors are aged, based on due date, as follows :-

	(Unit : Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
<u>Past due</u>				
Not over 3 months	432,243,920	198,908,413	432,243,920	193,806,507
3- 6 months	18,806,115	22,598,105	18,806,115	22,598,105
6- 12 months	12,382,563	26,312,884	12,382,563	26,312,884
Over 12 months	84,680,046	142,065,109	84,680,046	142,065,109
	<u>548,112,644</u>	<u>389,884,511</u>	<u>548,112,644</u>	<u>384,782,605</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.

## 8 INVESTMENTS IN THE SUBSIDIARIES AND JOINT VENTURE

Investments in the Subsidiaries and Joint Venture in the Company's financial statements are the investments in ordinary shares of the following companies, which are accounted for using the cost method:-

	Shareholding percentage		Investment value under cost method	
	2006 Percent	2005 Percent	2006 Baht	2005 Baht
<u>Investments in the Subsidiaries</u>				
<u>Construction business</u>				
Christiani & Nielsen Construction (Thai) Company Limited	100.0	100.0	1,000,000	1,000,000
<u>Holding company</u>				
CNT Holdings Limited	100.0	100.0	2,599,999,930	2,599,999,930
<u>Plan Administrator</u>				
CN Advisory Company Limited	100.0	100.0	1,000,000	1,000,000
Total			2,601,999,930	2,601,999,930
Less : Allowance for diminution in value of investments			(2,266,000,000)	(2,266,000,000)
Total investments in the Subsidiaries - net			335,999,930	335,999,930
<u>Investment in the Joint Venture</u>				
<u>Construction business</u>				
NWR, ITD, CNT & AS Joint Venture	25.0	25.0	-	2,000,000
Total investment in the Joint Venture			-	2,000,000
Total investments in the Subsidiaries and Joint Venture - net			335,999,930	337,999,930

Since 2002, the Company has invested in 25% interest of NWR, ITD, CNT & AS Joint Venture. During the year 2006, the Company received dividend of totaling Baht 12 million from the Joint Venture, and also received its return from investment of Baht 2 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.

## 9 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		Consolidated	
	2006 Percent	2005 Percent	2006 Baht	2005 Baht
<u>Investment in the Associate</u>				
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 diminution in value of investment			(7,500,000)	(7,500,000)
Investment in the Associate - net			-	-
<u>Investments in other companies</u>				
Satum Inc.	10.50	10.50	2,218,125	2,218,125
Phuket Land Development Co., Ltd	15.00	15.00	3,000,000	3,000,000
Total			5,218,125	5,218,125
Less : Allowance for diminution in value of investments			(3,000,000)	(3,000,000)
Investments in other companies - net			2,218,125	2,218,125
Total investments in the Associate and other companies - net			2,218,125	2,218,125

During 2006, CNT Holdings Limited had received a dividend of approximately Baht 10 million (2005 : Baht 37 million) from Satum Inc., which was shown in the consolidated income statements.

According to the 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 (2005 : Baht 22 million)

## 10. RELATED PARTY TRANSACTIONS

During the years, 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 : Million Baht)					
	Consolidated		The Company Only		Transfer pricing and lending policy
	2006	2005	2006	2005	
<u>Transactions with the Subsidiaries</u>					
Rental and service income	-	-	0.1	0.9	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
Management fee	-	-	-	1.6	Based on the prices agreed between the parties, which approximate the market prices
<u>Transactions with the Joint Venture</u>					
Construction income	-	24.5	2.0	38.3	Cost plus margin
Service income	-	-	-	0.3	Based on the prices agreed between the parties, which approximate the market prices
Dividend income	-	-	12.0	-	At the declared rate

The balances of the accounts as at 31 December 2006 and 2005 between the Company and those related parties are as follows :-

### Amounts due from and loans to the Subsidiaries

	(Unit : Baht)	
	The Company Only	
	2006	2005 (Restated)
<u>Amounts due from the Subsidiaries</u>		
CNT Holdings Limited	2,808,147	2,808,147
Christiani & Nielsen Construction (Thai) Company Limited	19,367,585	18,528,671
CN Advisory Company Limited	32,100	32,100
Total	22,207,832	21,368,918
Less : Allowance for doubtful accounts	(18,500,000)	(18,500,000)
Total amounts due from the Subsidiaries - net	3,707,832	2,868,918

	(Unit : Baht)	
	The Company Only	
	2006	2005 (Restated)
<u>Loans to the Subsidiary</u>		
Christiani & Nielsen Construction (Thai) Company Limited	10,300,000	10,800,000
Less : Allowance for doubtful accounts	(10,300,000)	(10,300,000)
Total loans to the Subsidiary - net	-	500,000
Total amounts due from and loans to the Subsidiaries - net	3,707,832	3,368,918

During the year 2006, movements of loans to the Subsidiary were as follows :-

	(Unit : Baht)		
	The Company Only		
	Balances as at 1 January 2006	Movements during the year Increase      Decrease	Balances as at 31 December 2006
Christiani & Nielsen Construction (Thai) Company Limited	10,800,000	-      (500,000)	10,300,000
Total	10,800,000	-      (500,000)	10,300,000

#### Directors and management's remuneration

In 2006, the Company paid salaries, meeting allowances and gratuities to their directors and management of totaling approximately Baht 37.3 million (2005: Baht 29.7 million).

#### Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 30 to the financial statements.



## 11. PLANT AND EQUIPMENT

(Unit : Baht)

	Consolidated				
	Revaluation basis	Cost basis			
	Buildings on leasehold land	Construction machinery and equipment	Furniture, fixtures and equipment	Motor vehicles	Total
<u>Cost/Revalued amount :</u>					
As at 31 December 2005	71,595,732	542,383,377	63,203,794	92,822,428	770,005,331
Additions	-	40,821,547	8,240,705	13,154,192	62,216,444
Disposals	-	(33,714,138)	(3,907,187)	(2,026,698)	(39,648,023)
As at 31 December 2006	71,595,732	549,490,786	67,537,312	103,949,922	792,573,752
<u>Accumulated Depreciation :</u>					
As at 31 December 2005	52,774,146	439,774,661	48,795,695	62,734,721	604,079,223
Depreciation for the year (on cost)	5,158,573	13,490,688	5,738,389	7,463,488	31,851,138
Depreciation on revalued portion	342,205	-	-	-	342,205
Depreciation on disposals	-	(29,300,321)	(3,492,115)	(1,095,499)	(33,887,935)
As at 31 December 2006	58,274,924	423,965,028	51,041,969	69,102,710	602,384,631
<u>Allowance for impairment loss :</u>					
As at 31 December 2005	972,374	19,603,495	690,302	21,000	21,287,171
As at 31 December 2006	972,374	19,603,495	690,302	21,000	21,287,171
<u>Net book value :</u>					
As at 31 December 2005	17,849,212	83,005,221	13,717,797	30,066,707	144,638,937
As at 31 December 2006	12,348,434	105,922,263	15,805,041	34,826,212	168,901,950
<u>Depreciation for the year :</u>					
2005					28,114,259
2006					32,193,343
<u>Impairment loss for the year :</u>					
2005					972,374
2006					-

(Unit : Baht)

	The Company Only				
	Revaluation basis	Cost basis			Total
	Buildings on leasehold land	Construction machinery and equipment	Furniture, fixtures and equipment	Motor vehicles	
<u>Cost/Revalued amount :</u>					
As at 31 December 2005	71,595,732	542,383,377	62,720,873	92,561,999	769,261,981
Additions	-	40,821,547	8,240,705	13,154,192	62,216,444
Disposals	-	(33,714,138)	(3,429,266)	(1,766,269)	(38,909,673)
As at 31 December 2006	71,595,732	549,490,786	67,532,312	103,949,922	792,568,752
<u>Accumulated Depreciation :</u>					
As at 31 December 2005	52,774,146	439,774,661	48,443,995	62,537,795	603,530,597
Depreciation for the year (on cost)	5,158,573	13,490,688	5,663,208	7,431,095	31,743,564
Depreciation on revalued portion	342,205	-	-	-	342,205
Depreciation on disposals	-	(29,300,321)	(3,070,233)	(866,180)	(33,236,734)
As at 31 December 2006	58,274,924	423,965,028	51,036,970	69,102,710	602,379,632
<u>Allowance for impairment loss :</u>					
As at 31 December 2005	972,374	19,603,495	690,302	21,000	21,287,171
As at 31 December 2006	972,374	19,603,495	690,302	21,000	21,287,171
<u>Net book value :</u>					
As at 31 December 2005	17,849,212	83,005,221	13,586,576	30,003,204	144,444,213
As at 31 December 2006	12,348,434	105,922,263	15,805,040	34,826,212	168,901,949
<u>Depreciation for the year :</u>					
2005					27,966,589
2006					32,085,769
<u>Impairment loss for the year :</u>					
2005					972,374
2006					-

As at 31 December 2006, certain plant and equipment items have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to approximately Baht 576 million (2005: Baht 598 million).

The Company had in 1999 hired an independent professional valuer to appraise the value of its buildings on the basis of the market approach. The results of the revaluations showed approximately Baht 7 million increase in value of buildings. The Company recorded the revaluation increase of buildings as the “Revaluation surplus on assets” in the shareholders’ equity.

Had the Company presented buildings at cost, the net book value as at 31 December 2006 and 2005 on cost basis would have been as follows :-

		(Unit : Baht)
	2006	2005
<u>Net book value</u>		
(presented at cost) :		
Buildings on leasehold land	12,348,434	17,507,007

## 12. NET ASSETS OF DISCONTINUED OPERATION UNITS

		(Unit : Baht)
	Consolidated	
	2006	2005
Total assets	309,691,972	339,511,224
Total liabilities	(97,127)	(123,330)
Net assets before allowance	309,594,845	339,387,894
Less : Allowance for diminution in value of assets	(2,854,600)	(2,854,600)
Net assets	306,740,245	336,533,294

The net assets of discontinued operation units mainly represented the net assets of Hamony Property Group Limited and CN Place Silom Development Limited.

Hamony Property Group Limited has pledged its cash at bank of approximately USD 4.2 million (or equivalent to Baht 150 million) with the bank to secure the credit facilities of the Company.

### 13. INVESTMENTS IN REAL ESTATE

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

			(Unit : Baht)	
	Consolidated		The Company Only	
	2006	2005	2006	2005
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 diminution in value of investments in real estate	(22,231,414)	(22,231,414)	(22,231,414)	(22,231,414)
Investments in real estate - net	94,090,000	94,090,000	94,090,000	94,090,000

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 14

### 14. BANK OVERDRAFTS

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

## 15. LIABILITIES UNDER HIRE-PURCHASE AND FINANCE LEASE AGREEMENTS

	(Unit : Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Liabilities under hire-purchase and finance lease agreements	29,520,076	18,720,764	29,520,076	18,720,764
Less : Deferred interest expenses	(3,824,806)	(1,927,191)	(3,824,806)	(1,927,191)
	25,695,270	16,793,573	25,695,270	16,793,573
Less : Portion due within one year	(9,520,844)	(6,087,037)	(9,520,844)	(6,087,037)
Liabilities under hire-purchase and finance lease agreements - net of current portion	16,174,426	10,706,536	16,174,426	10,706,536

The Company entered into finance lease agreements with leasing companies for lease of vehicles with commitment to pay rental on a monthly basis. Rental payable during the year 2007 - 2010 under the agreements was totaling approximately Baht 29.3 million. The assets acquired under the finance lease agreements were recorded as the assets of the Company at their cash price. As at 31 December 2006, the net book value of these assets was approximately Baht 27.5 million (2005 : Baht 16.4 million).

## 16. 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, 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 creditor, and other payables. The management believes that such reserve will cover losses, and besides such obligations there will be no significant liabilities to be incurred.

During the year 2004 and 2005, as ordered by the Comptroller of Bankruptcy, the Company was forgiven certain liabilities due to the 9th and 12th group creditors of approximately Baht 24 million and repaid the debts due to the 8th and 9th group creditors of totaling approximately Baht 16 million.

During the year 2006, as ordered by the Comptroller of Bankruptcy, the Company repaid the debts due to the 8th group creditors of totalling approximately Baht 3 million and there were outstanding estimated liabilities of approximately Baht 69 million as at 31 December 2006 (2005 : Baht 72 million).

## 17. SHARE CAPITAL

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

## 18. REVALUATION SURPLUS ON ASSETS

This represents surplus arising from revaluation of plant. The surplus is amortised to retained earnings on a straight-long basis over the remaining life of the related assets.

	(Unit : Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Buildings	6,848,742	6,848,742	6,848,742	6,848,742
Less : Accumulated amortisation	(6,848,742)	(6,506,537)	(6,848,742)	(6,506,537)
Net revaluation surplus on assets	-	342,205	-	342,205
Amortisation against retained earnings for the year	342,205	342,204	342,205	342,204

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

## 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 in the consolidated financial statements to determine the net equity attributable to the Company's shareholders.

## 21. 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's rehabilitation plan has significant contents as follows :-

### 1. Capital restructuring

- 1) Transfer statutory reserve, share premium and share discount to offset with the deficit.
- 2) Decrease the non-issuance of the registered capital of 18,035,800 shares, resulting in the decrease in its registered capital from Baht 1,592,193,200 (159,219,320 ordinary shares of Baht 10 each) to Baht 1,411,835,200 (141,183,520 ordinary shares of Baht 10 each).
- 3) Decrease the share capital to offset with the deficit by reducing the par value of Baht 10 each to Baht 0.01 each before the further increase in share capital.
- 4) Increase registered capital limited to Baht 500 million by issuing new ordinary shares and/or warrant and/or convertible securities to the existing share holders and/or allocated to the specified investors and/or sell to the public.

2. Group restructuring by concentrating on the local construction business. The Company plans to dispose investments or projects or liquidate the subsidiary and affiliated companies which have not operated or have operated with loss.
3. Creditor treatment and procedures for debt repayment to each creditor group, totaling 12 groups of creditors.



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

## 22. DIVIDEND PAID

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

## 23. CORPORATE INCOME TAX

The Company is not liable to corporate income tax for the year 2006 and 2005 due to tax loss brought forward.

## 24. 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>2006</u>	<u>2005</u>
Weighted average number of ordinary shares (the separate financial statements)	401,161,682	401,161,682
Less : The Company's shares held by the Subsidiary	(13,552,457)	(13,552,457)
Weighted average number of ordinary shares - net (the consolidated financial statements)	<u>387,609,225</u>	<u>387,609,225</u>

## 25. SUPPLEMENTARY INFORMATION OF THE CONSTRUCTION CONTRACTS

The consolidated construction costs after being adjusted realized gains or losses of the construction contracts up to 31 December 2006 were approximately Baht 11,360 million (the Company Only : Baht 11,010 million). The Company and the Joint Venture have already billed for the contract in progress from project owners of approximately Baht 10,324 million (the Company Only : Baht 9,974 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 contributed 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 2006, the Company contributed Baht 8.3 million (2005: Baht 7.2 million) to the fund.

## 27. NUMBER OF EMPLOYEES AND RELATED COSTS

	<u>The Company Only</u>	
	<u>2006</u>	<u>2005</u>
Number of employees at the end of the year (persons)	6,594	4,236
Employee costs for the year (Thousand Baht)	727,672	546,977

## 28. 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 as at and for the years ended 31 December 2006 and 2005 was as follows :

(Unit : Million Baht)

	Consolidated for the years ended 31 December				
	Other countries			Total	
	Thailand	in Asia	Eliminated	2006	2005
Construction income	4,839	-	(2)	4,837	3,623
Operating income	63	4	(17)	50	134
Interest expenses	(2)	-	-	(2)	(1)
Corporate income tax	-	-	-	-	(2)
Results of discontinued operation units	-	18	-	18	5
Net income				66	136

(Unit : Million Baht)

	Consolidated as at 31 December				
	Other countries			Total	
	Thailand	in Asia	Eliminated	2006	2005
Construction contract debtors - net	771	-	-	771	507
Construction contracts in progress	1,045	-	-	1,045	671
Plant and equipment - net	169	-	-	169	145
Other assets	4,979	417	(4,342)	1,054	1,335
Total assets	6,964	417	(4,342)	3,039	2,658

Transfer prices between business segments are set out in Note 10

## 29. COMMITMENTS

As at 31 December 2006, the Group and the Company had commitments other than those disclosed in other notes as follows :-

- (a) Commitment in respect of long-term lease of land on which the Group's and Company's construction office and warehouse are located and other long-term lease agreements. The rental payable in the future under the lease agreements is approximately Baht 1.1 million (2005 : Baht 6.6 million).
- (b) The Company had other commitments mainly in respect of operating leases of approximately Baht 15.3 million (2005 : Baht 15.7 million).

## 30. CONTINGENT LIABILITIES

As at 31 December 2006, the Group and the Company had contingent liabilities other than those disclosed in other notes as follows :-

- (a) The Company had issued letters of guarantees, mainly in respect of contract payments, performance bonds and finance facilities of approximately Baht 359 million (2005 : Baht 367 million). Furthermore, the Company had issued both specified and non-specified value of letters of guarantees in respect of performance bonds for the construction projects of the overseas subsidiary companies. Since 2003, the Company recorded liabilities in respect of these guarantee obligations, which were estimated based on the maximum guarantees claimed by the creditors under the Company's rehabilitation plan.
- (b) The Company had outstanding bank guarantees of approximately Baht 1,449 million (2005 : Baht 1,063 million) issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business of the Company. Furthermore, the Group had bank guarantees of approximately Baht 1,121 million issued by the banks on behalf of the Group in which the Company recorded liabilities in respect of these guarantee obligations, which were estimated based on the maximum guarantees claimed by the creditors under the Company's rehabilitation plan.

On 16 August 2006, the Company received 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 made a countercharge to the Central Administration Court to repeal an order to retain the bid guarantee and also submit a notification to relieve an order of the Administration Authority in order to hold the payment according to such 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.

- (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.

## 31. FINANCIAL INSTRUMENTS

### *31.1 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.

#### *31.1.1 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 amounts of receivables less allowance for doubtful accounts as stated in the balance sheet.

#### *31.1.2 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 2006 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					
	Fixed interest rates					
	Within 1 year	1-5 years	Floating interest rate (Million Baht)	Non-interest bearing	Total	Interest rate (% p.a)
<b>Financial assets</b>						
Cash and cash equivalents	43	-	102	9	154	0.12% - 5.00%
Construction contract debtors - net	-	-	-	771	771	-
Restricted deposits	59	-	81	-	140	0.50% - 4.10%
Net assets of discontinued operation units	304	-	2	1	307	0.25% - 7.30%
	<u>406</u>	<u>-</u>	<u>185</u>	<u>781</u>	<u>1,372</u>	
<b>Financial liabilities</b>						
Bank overdrafts	-	-	7	-	7	7.00% - 8.00%
Account payable and accrued construction cost	-	-	-	1,022	1,022	-
Liabilities under hire purchase and financial lease agreements	-	26	-	-	26	7.40% - 8.60%
	<u>-</u>	<u>26</u>	<u>7</u>	<u>1,022</u>	<u>1,055</u>	
	The Company Only					
	Fixed interest rates					
	Within 1 year	1-5 years	Floating interest rate (Million Baht)	Non-interest bearing	Total	Interest rate (% p.a)
<b>Financial assets</b>						
Cash and cash equivalents	40	-	41	7	88	0.12% - 4.85%
Construction contract debtors - net	-	-	-	771	771	-
Restricted deposits	59	-	81	-	140	0.50% - 4.10%
Loans to the Subsidiary	-	-	10	-	10	MOR + 0.25%
	<u>99</u>	<u>-</u>	<u>132</u>	<u>778</u>	<u>1,009</u>	
<b>Financial liabilities</b>						
Bank overdrafts	-	-	7	-	7	7.00% - 8.00%
Accounts payable and accrued construction costs	-	-	-	1,022	1,022	-
Liabilities under hire-purchase and financial lease agreements	-	26	-	-	26	7.40% - 8.60%
	<u>-</u>	<u>26</u>	<u>7</u>	<u>1,022</u>	<u>1,055</u>	



### *31.1.3 Foreign currency risk*

The Company's and the Subsidiaries' exposure to foreign currency risk arises mainly from trading and service transactions that are denominated in foreign currencies, which are currently not hedged by any derivative financial instruments.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2006 are summarised below.

Foreign currency	Assets	Liabilities	Average exchange rate as at 31 December 2006 (Baht per foreign currency unit)
USD	584,468	169,372	36.0455
GBP	-	10,917	70.7350
DKK	2,260	-	6.3530

### *31.2 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.

## **32. 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 payment of approximately Baht 20.06 million. The payment of dividend will later be proposed for approval in the annual general meeting of the Company's shareholders.

### 33. RECLASSIFICATION

Certain amounts in the financial statements for the year ended 31 December 2005 have been reclassified to conform to the current year's classification, with no effect on previously reported net income or shareholders' equity.

### 34. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors of the Company on 23 February 2007.