

GENERAL ENVIRONMENTAL CONSERVATION  
PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
THAILAND

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FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
AND  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORT

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EXPRESSED IN  
THAI BAHT

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORT

To the Shareholders and Board of Directors of General Environmental Conservation Public Company Limited

I have audited the accompanying consolidated balance sheets of General Environmental Conservation Public Company Limited and its subsidiaries as of December 31, 2006 and 2005, the related consolidated statements of changes in shareholders' equity, income and cash flows for the years then ended. I have also audited the Company's financial statements for the same periods of General Environmental Conservation Public Company Limited. These financial statements are responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those Standards requires that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audits provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of General Environmental Conservation Public Company Limited and its subsidiaries as of December 31, 2006 and 2005, the results of their operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

( KESREE NARONGDEJ )  
Certified Public Accountant  
Registration No. 76

A.M.T. & ASSOCIATES  
Bangkok, Thailand  
February 7, 2007

**GENERAL ENVIRONMENTAL CONSERVATION PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

|      |   | Baht               |                    |                     |                     |                             |                   |                      |
|------|---|--------------------|--------------------|---------------------|---------------------|-----------------------------|-------------------|----------------------|
|      |   | The Company Only   |                    |                     |                     |                             |                   |                      |
|      |   |                    |                    |                     | Unrealized          | Retained earnings (Deficit) |                   |                      |
|      |   | Issued and         | Premium on         | Premium on          | loss on change      | Appropriated-               |                   |                      |
|      |   | Paid-up            | Share Capital      | Treasury Stock      | in value of         | Legal                       |                   |                      |
| Note | Share Capital                               | - Net              | - Net              | current investments | reserve             | Unappropriated              | Total             |                      |
|      | BALANCE, JANUARY 1, 2005                    | 900,000,000        | 480,402,986        | 10,112,447          | -                   | 18,700,000                  | (313,543,297)     | 1,095,672,136        |
|      | Decrease in premium on share capital - net  |                    |                    |                     |                     |                             |                   |                      |
|      | due to transfer to reduce deficit           | 15                 | -                  | (284,730,850)       | -                   | -                           | 284,730,850       | -                    |
|      | Decrease in premium on treasury stock - net |                    |                    |                     |                     |                             |                   |                      |
|      | due to transfer to reduce deficit           | 15                 | -                  | -                   | (10,112,447)        | -                           | 10,112,447        | -                    |
|      | Decrease in legal reserve due to transfer   |                    |                    |                     |                     |                             |                   |                      |
|      | to reduce deficit                           | 15                 | -                  | -                   | -                   | (18,700,000)                | 18,700,000        | -                    |
|      | Unrealized loss on change in value of       |                    |                    |                     |                     |                             |                   |                      |
|      | current investments                         | -                  | -                  | -                   | (39,443,600)        | -                           | -                 | (39,443,600)         |
|      | Net profit                                  | -                  | -                  | -                   | -                   | -                           | 12,525,608        | 12,525,608           |
|      | Legal reserve                               | 16                 | -                  | -                   | -                   | 650,000                     | (650,000)         | -                    |
|      | BALANCE, DECEMBER 31, 2005                  | 900,000,000        | 195,672,136        | -                   | (39,443,600)        | 650,000                     | 11,875,608        | 1,068,754,144        |
|      | Unrealized loss on change in value of       |                    |                    |                     |                     |                             |                   |                      |
|      | current investments                         | -                  | -                  | -                   | (5,898,880)         | -                           | -                 | (5,898,880)          |
|      | Net profit                                  | -                  | -                  | -                   | -                   | -                           | 14,040,825        | 14,040,825           |
|      | Dividend payment                            | 17                 | -                  | -                   | -                   | -                           | (9,000,000)       | (9,000,000)          |
|      | Legal reserve                               | 16                 | -                  | -                   | -                   | 750,000                     | (750,000)         | -                    |
|      | BALANCE, DECEMBER 31, 2006                  | <u>900,000,000</u> | <u>195,672,136</u> | <u>-</u>            | <u>(45,342,480)</u> | <u>1,400,000</u>            | <u>16,166,433</u> | <u>1,067,896,089</u> |

The accompanying notes to financial statements are an integral part of these statements.

**GENERAL ENVIRONMENTAL CONSERVATION PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

1. GENERAL INFORMATION

1.1 General matter

The Company was incorporated as a limited company under the Thai Civil and Commercial Code on April 22, 1994, and changed its status to a public limited company under the Public Limited Company Act on August 8, 1997.

Presently, the Company has offices located at the following addresses :

- a) Head office : 447 Bondstreet Rd., Bangpood, Parkkred, Nonthaburi
- b) Industrial Waste Facility at : 68/39 Moo 3 Samaedam Rd., Bangkhuntien, Bangkok  
Samaedam Center
- c) Industrial Waste Facility at : 5 Muangmai Map Ta Phut Line 6 Rd., Hauypong,  
Map Ta Phut Center Muang Rayong, Rayong

The Company operates in Thailand, and its principal activity are the treatment of industrial waste and unavoidable by-products of manufacturing processes. The number of employees of the Company at the end of the years were 262 in 2006 and 253 in 2005. The employee costs for the years 2006 and 2005 amounted to approximately Baht 82.7 million and Baht 91 million, respectively.

1.2 Basis of financial statement preparation and principles of consolidated

These financial statements are prepared in accordance with generally accepted accounting standards and presented in accordance with the Department of Business Development's announcement on September 14, 2001, regarding the brief items to be presented in the financial statements B.E. 2544.

These consolidated financial statements include the financial statements of General Environmental Conservation Public Company Limited and its subsidiaries which the significant intercompany transactions had been eliminated as follows :

- 99.99% directly owned subsidiary namely Asia Patana Land Co., Ltd., which was incorporated as a limited company in Thailand on January 14, 2004, with Baht 200 million authorized share capital to engage in the business of buy, sale, and land development. The number of employees of the Company at the end of years were 5 in 2006 and 4 in 2005. The employees costs for the years 2006 and 2005 amounted to approximately Baht 3.9 million and Baht 2.8 million, respectively.

- 99.99% directly owned subsidiary namely Genco Engineering Co., Ltd., which was incorporated as a limited company in Thailand on February 17, 2004, with Baht 20 million authorized share capital to engage in the business of waste selection and management of waste for recycling facilities. The number of employees of the Company at the end of year was 2 in 2006. The employees costs for the year 2006 amounted to approximately Baht 0.5 million.

- 99.99% directly owned subsidiary namely General Logistics Co., Ltd., which was incorporated as a limited company in Thailand on February 17, 2004, with Baht 5 million authorized share capital to engage in the business of transportation of waste including provide the service of domestic transportation.

- 99.99% indirectly owned subsidiary, through Asia Patana Land Co., Ltd., namely Industrial Waste Management (Asia) Co., Ltd., which was incorporated as a limited company in Thailand on November 19, 2004, with Baht 60 million authorized share capital to engage in the business of industrial waste treatment.

- 99.99% directly owned subsidiary namely General Laboratory Co., Ltd., had registered with the Ministry of Commerce to dissolve the Company on September 27, 2006 and had completed the registration of liquidation on January 19, 2007.

## 2. SUMMARY SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Income and Cost Recognition

#### 2.1.1 Services Income and Costs of Services

Services income and costs of services are recognized as income and expenses on an accrual basis.

#### 2.1.2 Sales and Cost of Land and Houses

Sales of land and houses are recognized as income when the construction works are completed and the ownerships have been transferred to buyers after payments received from the buyers.

The Companies recognize cost of sale of land and houses by allocation of the total estimated costs and the incurred cost on the basis of the sales area.

### 2.2 Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposit at banks and short-term investments that are readily convertible to known amounts of cash with original maturity of three months or less and that are subject to an insignificant risk of change in value.

### 2.3 Trade Account Receivables and Allowance for Doubtful Accounts

Trade account receivables are carried at amount billed and unbilled less allowance for doubtful accounts.

The Company provides allowance for doubtful accounts equal to the estimated losses that may occur in the collection of accounts receivable. This estimate is based on the review of the current status of accounts receivable. Bad debts are written off when identified.

### 2.4 Real Estate Development Cost

Real estate development cost are stated at the lower of cost or net realizable value. Costs include costs of land, development, construction and related expenses of real estate project.

### 2.5 Supply Inventory

Supply inventory are stated at cost (moving average method) or net realizable value, whichever is lower.

### 2.6 Investments

#### 2.6.1 Investments in Subsidiaries

Investments in subsidiaries company in the Company's financial statements are stated under the equity method.

## 2.6.2 Investments in Equity Securities

Investments in securities held for trading are shown at fair value. Gains or losses arising from changes in the carrying amount of securities are included in the statements of income.

Investments in available-for-sale securities are shown at fair value. Changes in the carrying amount of securities are recorded as separate items in shareholders' equity until the securities are sold, the changes are then included in the statements of income.

Investments in non-marketable equity securities are classified as other investments and are shown at cost net of allowance for diminution in value of investments which will be made by taking into consideration the net book value and other relevant factors.

The fair value of marketable securities is based on the latest bid price of the last working day of the period as quoted on the Stock Exchange of Thailand.

## 2.7 Investment in Ownership of Condominium Units

Investment in ownership of condominium units is stated at cost. When investment is sale back, their cost are eliminated from the account on the basis of weighted average of the total area. Gain on such transaction is included in the statements of income.

## 2.8 Land and Structures Held for Future Development

Land and structures held for future development are stated at cost and shall be adjusted when impair.

## 2.9 Property, Plant and Equipment and Amortization

Land is stated at cost.

Building and building improvements are stated at appraisal value by an independent valuer on December 29, 2004 which was appraised by cost approach, net of accumulated depreciation.

Machinery and equipment are stated at cost net of accumulated depreciation and impairment loss. When assets are sold or retired, their cost and accumulated depreciation or amortization are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statements of income.

Construction-in-progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Depreciation is calculated by the straight-line method based on the estimated useful lives of the assets as follows:

|  | <u>No. of Years</u>                   |
|--|---------------------------------------|
| Improvements for rental land             | Period of leasehold right (10 and 30) |
| Leasehold right                          | Period of leasehold right (30)        |
| Buildings and improvements               | 10 to 25                              |
| Machinery and equipment                  | 5 to 20                               |
| Furniture, fixtures and office equipment | 5                                     |
| Transportation equipment                 | 5                                     |
| Trucks and chassis                       | 5 to 10                               |
| Containers                               | 10                                    |

Costs of landfills are amortized by the proportion of quantities of buried wastes to the waste capacity of each landfill.

## 2.10 Revalued Assets

Revaluations are performed by independent professional valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Any increase in value, on revaluation, is credited to the revaluation reserve unless it offsets a previous decrease in value recognized in the statement of income. A decrease in value is recognized in the statement of income to the extent it exceeds an increase previously recognized in the revaluation reserve. The revaluation surplus is utilized by reference to the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost and credited to the statement of income. Upon disposal, any remaining related revaluation surplus is transferred from the revaluation reserve to the statement of income and is taken into account in calculating the gain or loss on disposal.

## 2.11 Interest Capitalization

The Company capitalizes interest on loans obtained for the construction and installation of buildings, machinery, land improvement and landfills. The capitalization of interest is discontinued when the construction and installation are completed.

## 2.12 Impairment of Assets

The Company and subsidiaries review property, plant and equipment, investments and other assets when there is an indication that the carrying amount of the assets may exceed the recoverable amount. Should the carrying amount of an asset be higher than the recoverable amount, the Company and subsidiaries recognize the impairment loss in the statement of income. The reversal of impairment losses is recorded when there is an indication that the impairment losses no longer exist or have decreased by crediting to "Other income".

## 2.13 Financial Leases

The Company records transportation equipment under financial leases, as assets and liabilities in the balance sheets at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease. The interest charge is recorded to periods during the lease term based on the remaining balance of the liability for each period.

## 2.14 Provisions

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## 2.15 Foreign Currency Transactions

All foreign currency transactions are translated to Baht for bookkeeping purpose at the rates prevailing at transaction dates. The outstanding balances of assets and liabilities at balance sheet dates which are denominated in foreign currencies are translated to Baht at the rates of exchange prevailing at those dates. Gains or losses on foreign currency translation are credited or charged to operations.

## 2.16 Financial Instruments

Financial assets and financial liabilities carried on the balance sheets include cash and cash equivalents, trade account receivables, other receivables, investments, long-term loan to, trade account payables, other payables, short-term loan and long-term loan. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

## 2.17 Basic Earnings (Loss) Per Share

Basic earnings (loss) per share is determined by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding.

## 3. TRANSACTIONS WITH RELATED PARTIES

A portion of the Company's assets, liabilities, income and expenses arose from transactions with related parties. These parties related through ordinary shareholdings and/or directorships. The effects of these transactions are reflected in the accompanying financial statements on the fair negotiable basis between the Company and the related parties concerned.

Significant contracts entered into by the Company and related parties are as follows:

- a) Rental and exclusive right agreement (Note 24.2)
- b) Land lease agreement (Note 24.3)

Account balances arising from transactions with the said related parties was shown separately in the balance sheets. The major transactions with related parties which are included in the statements of income for the years ended December 31, 2006 and 2005 were as follows:

|   | Baht         |           |                  |            |
|---|--------------|-----------|------------------|------------|
|   | Consolidated |           | The Company Only |            |
|   | 2006         | 2005      | 2006             | 2005       |
| <b>Real estate development cost</b>                                     |              |           |                  |            |
| Asia Patana Land Co., Ltd.  | -            | -         | 21,600,000       | 12,000,000 |
| <b>Sales</b>  |              |           |                  |            |
| Genco Engineering Co., Ltd.   | -            | -         | 4,616,405        | 762,929    |
| <b>Interest income</b>  |              |           |                  |            |
| Asia Patana Land Co., Ltd.  | -            | -         | 3,000,000        | 3,000,000  |
| General Logistics Co., Ltd.   | -            | -         | 182,713          | 26,301     |
| <b>Transportation expense</b>   |              |           |                  |            |
| General Logistics Co., Ltd.   | -            | -         | 6,700,139        | 937,040    |
| <b>Rental and royalty fee</b>   |              |           |                  |            |
| Industrial Estate Authority of Thailand                                 | 7,852,233    | 7,670,874 | 7,852,233        | 7,670,874  |
| The Department of Industrial Works                                      | 3,392,300    | 3,663,647 | 3,392,300        | 3,663,647  |
| <b>Other expenses</b>   |              |           |                  |            |
| Industrial Estate Authority of Thailand                                 | 2,656,182    | 2,163,534 | 2,656,182        | 2,163,534  |
| <b>Share of losses from investments<br/>for using the equity method</b> | -            | -         | 9,026,517        | 4,565,176  |

The balances of receivables from and payables to related parties as of December 31, 2006 and 2005 were as follows:

|   | Baht           |                |                  |                  |
|---|----------------|----------------|------------------|------------------|
|   | Consolidated   |                | The Company Only |                  |
|   | 2006           | 2005           | 2006             | 2005             |
| <b>Trade account receivables - Billed</b>       |                |                |                  |                  |
| Genco Engineering Co., Ltd.                     | -              | -              | 378,202          | 816,334          |
| <b>Advance to directors</b>                     | 400,000        | 300,000        | 100,000          | -                |
| <b>Prepaid rent to related party</b>            |                |                |                  |                  |
| Industrial Estate Authority of Thailand         | 2,434,325      | 2,280,849      | 2,434,325        | 2,280,849        |
| <b>Deposit for rent to related party</b>        |                |                |                  |                  |
| Industrial Estate Authority of Thailand         | 4,348,221      | 4,348,221      | 4,348,211        | 4,348,221        |
| <b>Trade account payables - Related parties</b> |                |                |                  |                  |
| General Logistics Co., Ltd.                     | -              | -              | 2,264,587        | 1,002,633        |
| Industrial Estate Authority of Thailand         | 112,054        | 15,120         | 112,054          | 15,120           |
| The Department of Industrial Works              | 302,488        | 290,603        | 302,488          | 290,603          |
| Total   | <u>414,542</u> | <u>305,723</u> | <u>2,679,129</u> | <u>1,308,356</u> |

**Long - term Loans to Subsidiaries**

|  | Baht                                  |                  |          |                                       |
|--|---------------------------------------|------------------|----------|---------------------------------------|
|  | The Company Only                      |                  |          | Balance as of<br>December 31,<br>2006 |
|  | Balance as of<br>December 31,<br>2005 | Increase         | Decrease |                                       |
| <b>Principal</b>                               |                                       |                  |          |                                       |
| Asia Patana Land Co., Ltd.                     | 100,000,000                           | -                | -        | 100,000,000                           |
| General Logistics Co., Ltd.                    | 4,000,000                             | 7,000,000        | -        | 11,000,000                            |
| Total  | <u>104,000,000</u>                    | <u>7,000,000</u> | <u>-</u> | <u>111,000,000</u>                    |
| <b>Add Accrued interest</b>                    |                                       |                  |          |                                       |
| Asia Patana Land Co., Ltd.                     | 3,328,767                             | 3,000,000        | -        | 6,328,767                             |
| General Logistics Co., Ltd.                    | 26,301                                | 182,713          | -        | 209,014                               |
| Total  | <u>3,355,068</u>                      | <u>3,182,713</u> | <u>-</u> | <u>6,537,781</u>                      |
| <b>Total Long - term Loans to Subsidiaries</b> | <u><u>107,355,068</u></u>             |                  |          | <u><u>117,537,781</u></u>             |

Long - term loans to two subsidiaries are term loans and have agreements bearing interest at the rate of 3.00 % p.a.

#### 4. CURRENT INVESTMENTS

|  | Baht              |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Consolidated      |                   | The Company Only  |                   |
|  | 2006              | 2005              | 2006              | 2005              |
| Available-for-sale securities :                                |                   |                   |                   |                   |
| Investments in marketable securities                           | 117,513,400       | 109,013,400       | 109,013,400       | 109,013,400       |
| <u>Less</u> Loss on changes in fair value                      | (49,192,480)      | (39,443,600)      | (45,342,480)      | (39,443,600)      |
| Available-for-sale securities - Net                            | 68,320,920        | 69,569,800        | 63,670,920        | 69,569,800        |
| Other investments :  |                   |                   |                   |                   |
| Investment in non - marketable equity securities - Cost method | -                 | 8,500,000         | -                 | -                 |
| Fixed deposits   | 15,272,703        | -                 | -                 | -                 |
| Total Current Investments - Net                                | <u>83,593,623</u> | <u>78,069,800</u> | <u>63,670,920</u> | <u>69,569,800</u> |

#### 5. TRADE ACCOUNT RECEIVABLES - NET

As of December 31, 2006 and 2005, the trade account receivables are classified by aging as follows:

|  | Baht              |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Consolidated      |                   | The Company Only  |                   |
|  | 2006              | 2005              | 2006              | 2005              |
| <u>BILLED :</u>                            |                   |                   |                   |                   |
| Trade account receivables - services       |                   |                   |                   |                   |
| Current                                    | 30,857,767        | 35,482,417        | 31,016,882        | 36,256,817        |
| Overdue                                    |                   |                   |                   |                   |
| Less than 3 months                         | 22,181,969        | 15,500,788        | 22,401,056        | 15,542,722        |
| Over 3 months to 6 months                  | 594,566           | 254,727           | 594,566           | 254,727           |
| Over 6 months to 12 months                 | 359,852           | 851,724           | 359,852           | 851,724           |
| Over than 12 months                        | 6,671,811         | 5,948,963         | 6,671,811         | 5,948,963         |
| Sub-total                                  | 60,665,965        | 58,038,619        | 61,044,167        | 58,854,953        |
| Trade account receivables - real estate    |                   |                   |                   |                   |
| Current                                    | 2,420,000         | 275,000           | 2,420,000         | 275,000           |
| Overdue                                    |                   |                   |                   |                   |
| Less than 3 months                         | 50,000            | 20,000            | 50,000            | 20,000            |
| Over 3 months to 6 months                  | 70,000            | -                 | 70,000            | -                 |
| Over 6 months to 12 months                 | 40,000            | -                 | 40,000            | -                 |
| Over than 12 months                        | 5,000             | -                 | 5,000             | -                 |
| Sub-total                                  | 2,585,000         | 295,000           | 2,585,000         | 295,000           |
| Grand-total                                | 63,250,965        | 58,333,619        | 63,629,167        | 59,149,953        |
| <u>Less</u> Allowance for doubtful account | (4,503,287)       | (4,482,430)       | (4,503,287)       | (4,482,430)       |
| Trade account receivables - Billed - Net   | <u>58,747,678</u> | <u>53,851,189</u> | <u>59,125,880</u> | <u>54,667,523</u> |
| <u>UNBILLED :</u>                          |                   |                   |                   |                   |
| Trade account receivables - services       | 22,591,229        | 21,480,143        | 22,591,229        | 21,480,143        |
| <u>Less</u> Allowance for doubtful account | (34,775)          | (34,775)          | (34,775)          | (34,775)          |
| Trade account receivables - Unbilled - Net | <u>22,556,454</u> | <u>21,445,368</u> | <u>22,556,454</u> | <u>21,445,368</u> |

6. REAL ESTATE DEVELOPMENT COST

|                                       | Baht               |                   |                    |                   |
|---------------------------------------|--------------------|-------------------|--------------------|-------------------|
|                                       | Consolidated       |                   | The Company Only   |                   |
|                                       | 2006               | 2005              | 2006               | 2005              |
| House for sales and mock up for sales | 21,320,535         | 32,966,483        | 13,550,780         | 6,441,142         |
| Land for sales                        | 11,377,410         | -                 | -                  | -                 |
| Land and structures under development | 114,362,065        | 40,000,000        | 114,362,065        | 40,000,000        |
| Other related cost                    | 4,787,768          | 6,383,298         | 4,787,768          | 6,383,298         |
| Total                                 | <u>151,847,778</u> | <u>79,349,781</u> | <u>132,700,613</u> | <u>52,824,440</u> |

7. PENDING REFUND TO BE RECEIVED FROM LAND

On February 6, 2006, a subsidiary company entered into an agreement with other persons to purchase land of Baht 25 million for future development and sale. The said subsidiary company had already made full payment on the agreement date. Subsequently, the seller could not transfer the ownership to the subsidiary company resulting the default of the seller. Thus, the seller has to refund for the payment with interest to the subsidiary company as follow:

| Date              | Amount               |
|-------------------|----------------------|
| February 2, 2007  | Baht 4.0 million     |
| February 13, 2007 | Baht 2.5 million     |
| February 20, 2007 | Baht 6.0 million     |
| Within June 2007  | All remaining amount |

8. INVESTMENT IN OWNERSHIP OF CONDOMINIUM UNITS

On October 24, 2006, the Company entered into an agreement with a company (seller) to purchase a 205 units condominium in the amount of Baht 31.15 million and entered into a sale back agreement in the amount of Baht 41.30 million. The ownership of condominium units have transferred to the Company on the agreement date with the condition that the seller still have the responsibility to pay public utilities, management fee or other fee which related to condominium units until sale back under the agreement has been made.

As of December 31, 2006, investment in ownership of condominium units is as follow :

|   | Baht              |          |                   |          |
|---|-------------------|----------|-------------------|----------|
|   | Consolidated      |          | The Company Only  |          |
|   | 2006              | 2005     | 2006              | 2005     |
| Investment in ownership of condominium units                    | 31,150,000        | -        | 31,150,000        | -        |
| <u>Less</u> Sale of investment in ownership of condominium unit | <u>(209,576)</u>  | <u>-</u> | <u>(209,576)</u>  | <u>-</u> |
| Investment in ownership of condominium units - Net              | <u>30,940,424</u> | <u>-</u> | <u>30,940,424</u> | <u>-</u> |

In year 2006, gain on sale of investment in ownership of condominium unit amounted to Baht 68,289 is included in the statements of income.

9. LAND AND STRUCTURES HELD FOR FUTURE DEVELOPMENT

|                     | Baht              |                   |                   |          |
|---------------------|-------------------|-------------------|-------------------|----------|
|                     | Consolidated      |                   | The Company Only  |          |
|                     | 2006              | 2005              | 2006              | 2005     |
| Land                | 80,320,000        | 50,800,000        | 40,320,000        | -        |
| Land and structures | 12,578,125        | 12,578,125        | -                 | -        |
| Other related cost  | 1,129,091         | 1,049,001         | 657,500           | -        |
| Total               | <u>94,027,216</u> | <u>64,427,126</u> | <u>40,977,500</u> | <u>-</u> |

10. INVESTMENTS IN SUBSIDIARIES - EQUITY METHOD

| <u>Company's Name</u>                        | <u>Type of Businesses</u>  | <u>Relationship</u>          | <u>Paid - up Share Capital (Baht)</u> |
|--|--|------------------------------|---------------------------------------|
| <b>Directly Owned Subsidiaries</b>           |  |                              |                                       |
| Asia Patana Land Co., Ltd.                   | Buy, sale, and land development  | Shareholder and directorship | 199,999,930                           |
| Genco Engineering Co., Ltd.                  | Waste selection and management of waste for recycling facilities                 | Shareholder and directorship | 19,999,930                            |
| General Laboratory Co., Ltd.                 | Analysis of waste in the laboratory  | Shareholder and directorship | 14,999,930                            |
| General Logistics Co., Ltd.                  | Transportation of waste including provide the service of domestic transportation | Shareholder and directorship | 4,999,930                             |
| <b>Indirectly Owned Subsidiary</b>           |  |                              |                                       |
| Industrial Waste Management (Asia) Co., Ltd. | Industrial waste treatment   | Shareholder and directorship | 59,999,930                            |

Investments in subsidiaries at equity method for the Company only as of December 31, 2006 and 2005, were as follows:

|                                     | Percentage<br>of Holding | Baht                    |                    |          |
|-------------------------------------|--------------------------|-------------------------|--------------------|----------|
|                                     |                          | The Company Only        |                    |          |
|                                     |                          | As of December 31, 2006 |                    |          |
|                                     |                          | At Cost                 | At Equity          | Dividend |
| <b>Subsidiaries - equity method</b> |                          |                         |                    |          |
| Asia Patana Land Co., Ltd.          | 99.99                    | 199,999,930             | 185,465,995        | -        |
| Genco Engineering Co., Ltd.         | 99.99                    | 19,999,930              | 19,596,125         | -        |
| General Laboratory Co., Ltd.        | 99.99                    | 14,999,930              | 14,918,918         | -        |
| General Logistics Co., Ltd.         | 99.99                    | 4,999,930               | 3,813,263          | -        |
| Total                               |                          | <u>239,999,720</u>      | <u>223,794,301</u> | <u>-</u> |

|                                     | Percentage<br>of Holding | Baht                    |                    |          |
|-------------------------------------|--------------------------|-------------------------|--------------------|----------|
|                                     |                          | The Company Only        |                    |          |
|                                     |                          | As of December 31, 2005 |                    |          |
|                                     |                          | At Cost                 | At Equity          | Dividend |
| <b>Subsidiaries - equity method</b> |                          |                         |                    |          |
| Asia Patana Land Co., Ltd.          | 99.99                    | 199,999,930             | 193,387,035        | -        |
| Genco Engineering Co., Ltd.         | 99.99                    | 19,999,930              | 19,462,466         | -        |
| General Laboratory Co., Ltd.        | 99.99                    | 14,999,930              | 14,899,235         | -        |
| General Logistics Co., Ltd.         | 99.99                    | 4,999,930               | 5,072,082          | -        |
| Total                               |                          | <u>239,999,720</u>      | <u>232,820,818</u> | <u>-</u> |

## 12. LONG - TERM LOAN

The Company had entered into a loan agreement with a local bank amounting to Baht 100 million. As of December 31, 2005, the Company had drawn down Baht 50 million under this agreement. This loan bears interest at various rates throughout the term of the loan agreement. As of December 31, 2005, the loan bore interest at 6.5% per annum. The loan is payable in 16 quarterly installments, at varying amounts commencing from October 2003 (according to the Addendum 1 to the loan agreement). Under the terms of the loan agreement, the Company committed to maintain the financial ratio as defined in the agreement and agreed to transfer the land lease right between the Company and the Industrial Estate Authority of Thailand and second mortgage of building and machinery at Map Ta Phut Industrial Waste Treatment Facilities as the collateral for the said loan. As of December 31, 2005, the period for drawdown of the remaining Baht 50 million available under the loan agreement had already expired. The Company, has therefore, presented the current portion of the loan according to each installment amount specified in the loan agreement until the amount drawdown is fully paid.

## 13. HIRE PURCHASE PAYABLE

As of December 31, 2006, the subsidiary has hire purchase payable as follows :

|  | Baht               |          |                  |          |
|--|--------------------|----------|------------------|----------|
|  | Consolidated       |          | The Company Only |          |
|  | 2006               | 2005     | 2006             | 2005     |
| Hire purchase payable - trucks and chassis | 18,739,466         | -        | -                | -        |
| <u>Less</u> Current portion                | <u>(4,290,985)</u> | <u>-</u> | <u>-</u>         | <u>-</u> |
| Hire purchase payable - Net                | <u>14,448,481</u>  | <u>-</u> | <u>-</u>         | <u>-</u> |

## 14. PROVISIONS FOR TRANSPORTATION AND TREATMENT OF INDUSTRIAL WASTE

The Company is alleged to have illegally dumped toxic industrial waste in Nakhon Ratchasima province; an accusation the Company strenuously denies. Presently, Government agencies are in the process of investigating the matter and identifying the persons responsible for dumping the waste at such place. The Department of Industrial Works issued instructions to the Company on September 17, 2004, requesting the Company to uplift, transport and treat the waste including contaminated ground surface material, with appropriate procedures at the Company's cost. In year 2004, the Company has removed the waste to Map Ta Phut Waste Disposal Plant for processing, and treated the waste with appropriate procedures. The Company has estimated that the total expenses that will be incurred in the process of uplift, transportation, and treatment amount to approximately Baht 20.6 million. In year 2004, the actual expenses incurred amounted to approximately Baht 15.8 million. The remaining amount of approximately Baht 4.8 million is recorded as a provision under current liabilities in the balance sheet. The Company may, however, be able to obtain a refund of such costs incurred from the responsible parties once such parties have been identified.

## 15. DECREASE IN DEFICIT

The meeting of the shareholders on April 28, 2005, the shareholders had unanimously approved a resolution to transfer legal reserve and premium on share capital totaling approximately Baht 313.5 million to reduce the deficit balance as of December 31, 2004. This is in accordance with the Public Company Act of Legislation (No. 2) B.E. 2544.

## 16. LEGAL RESERVE

Under the provision of the Public Company Limited Act B.E. 2535, the Company is required to appropriate at least 5% of its annual net income, after deduction of the deficit brought forward (if any), as a legal reserve until the reserve reaches 10% of the authorized capital. As of December 31, 2006 and 2005, the balance of the legal reserve amounted to Baht 1.4 million and Baht 0.65 million, respectively. The reserve is not available for dividend distribution.

## 17. DIVIDEND PAYMENT

At the meeting of the shareholders on April 27, 2006, the shareholders approved to pay dividend at Baht 0.01 per share to the existing shareholders.

## 18. COSTS OF SERVICES

Costs of services comprise of the following expenses:

|   | Baht               |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | Consolidated       |                    | The Company Only   |                    |
|   | 2006               | 2005               | 2006               | 2005               |
| Transportation expense                          | 73,425,403         | 86,164,327         | 80,125,542         | 87,101,367         |
| Salary and welfare                              | 56,049,377         | 65,158,078         | 56,010,945         | 65,158,078         |
| Depreciation and amortization                   | 79,382,194         | 87,649,199         | 76,764,970         | 87,301,062         |
| Chemical, supplies and<br>lab analysis expenses | 59,171,483         | 57,623,723         | 56,150,178         | 57,623,723         |
| Other expenses                                  | 53,864,166         | 54,429,964         | 51,488,556         | 54,067,447         |
| Total   | <u>321,892,623</u> | <u>351,025,291</u> | <u>320,540,191</u> | <u>351,251,677</u> |

## 19. ADMINISTRATIVE EXPENSES

Administrative expenses comprise of the following expenses:

|                               | Baht              |                   |                   |                   |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
|                               | Consolidated      |                   | The Company Only  |                   |
|                               | 2006              | 2005              | 2006              | 2005              |
| Salary and welfare            | 31,212,404        | 28,755,812        | 26,703,100        | 25,913,699        |
| Depreciation and amortization | 7,927,469         | 8,547,211         | 7,525,897         | 8,337,133         |
| Office and car expenses       | 19,588,736        | 12,584,981        | 15,961,209        | 11,220,205        |
| Other expenses                | 16,018,743        | 14,580,990        | 13,848,886        | 10,917,222        |
| Total                         | <u>74,747,352</u> | <u>64,468,994</u> | <u>64,039,092</u> | <u>56,388,259</u> |

## 20. INCOME TAX EXPENSES

In the Company's financial statement, no income tax expenses were payable for the years ended December 31, 2006 and 2005 because of the utilization of the tax benefit arising from loss carry forward and an exemption from income tax expenses on net profit from the promotion business.

## 21. PROMOTIONAL PRIVILEGES

By virtue of the provisions of the Investment Promotion Act B.E. 2520, the Company was granted by the Board of Investment certain privileges which include, among other things, the following:

- 21.1 Exemption from payment of import duty on machinery as approved by the Board of Investment.
- 21.2 Exemption from payment of income tax on net income from the promoted business for a period of eight years from the date of operations.
- 21.3 Reduction of the income tax at the rate of 50% of the net income from promoted business for the period of 5 years from the expiration date as prescribed in 21.2
- 21.4 Allow to deduct the transportation expenses, electricity and water two-fold of such expenses for a period of 10 years from the start of the commercial operations.
- 21.5 Allow to deduct investments in installation and construction of the facility at 25% of the investments in addition to the normal depreciation rates, etc.

Under the promotional privileges, the Company must comply with certain terms and conditions specified in the promotional certificate.

Service income for the years ended December 31, 2006 and 2005 classified under promoted and non-promoted businesses are as follows:

|                       | <u>Baht</u>               |                           |
|-----------------------|---------------------------|---------------------------|
|                       | <u>Consolidated and</u>   |                           |
|                       | <u>The Company Only</u>   |                           |
|                       | <u>2006</u>               | <u>2005</u>               |
| Promoted Business     | 283,176,537               | 273,961,600               |
| Non-Promoted Business | <u>106,843,891</u>        | <u>127,627,344</u>        |
| Total                 | <u><u>390,020,428</u></u> | <u><u>401,588,944</u></u> |

## 22. REGISTERED PROVIDENT FUND PLAN

The Company has established a contributory registered provident fund in accordance with the Provident Fund Act B.E. 2530. Under the plan, the Company and employees contribute to the fund at a certain percentage of the employees' basic salary. The employees are entitled to receive the Company's contribution upon resignation from the Company after completion of their two years membership at the specified contribution rates.

The Company's contributions to the fund during 2006 and 2005 amounted to approximately Baht 1.9 million.

## 23. BUSINESS SEGMENT INFORMATION

Financial information of the Company and its subsidiaries for the years ended December 31, 2006 and 2005, broken down by business segment are as follow:

|  | Baht               |                    |                    |                    |                      |                      |
|--|--------------------|--------------------|--------------------|--------------------|----------------------|----------------------|
|  | Consolidated       |                    |                    |                    |                      |                      |
|  | Services           |                    | Real estate        |                    | Total                |                      |
|  | 2006               | 2005               | 2006               | 2005               | 2006                 | 2005                 |
| Revenues   | <u>390,020,428</u> | <u>401,588,944</u> | <u>26,062,500</u>  | <u>9,965,000</u>   | <u>416,082,928</u>   | <u>441,553,944</u>   |
| Net profit from operation                                    | <u>68,127,805</u>  | <u>50,563,653</u>  | <u>12,963,130</u>  | <u>4,822,673</u>   | 81,090,935           | 55,386,326           |
| Other income   |                    |                    |                    |                    | 11,403,549           | 35,103,820           |
| General expense  | 59,557,896         | 58,004,576         | 15,189,456         | 6,464,418          | 74,747,352           | 64,468,994           |
| Unrealized loss on change in value<br>of current investments |                    |                    |                    |                    | -                    | 8,210,730            |
| Directors' remuneration                                      |                    |                    |                    |                    | 3,340,000            | 2,705,000            |
| Interest expenses  |                    |                    |                    |                    | 263,883              | 767,852              |
| Income tax expenses  |                    |                    |                    |                    | 102,424              | 1,811,962            |
| Net profit   |                    |                    |                    |                    | <u>14,040,825</u>    | <u>12,525,608</u>    |
| Assets employed  | <u>862,083,625</u> | <u>964,341,308</u> | <u>346,241,597</u> | <u>198,105,286</u> | <u>1,208,325,222</u> | <u>1,162,446,594</u> |

## 24. AGREEMENTS

As of December 31, 2006, the Company and subsidiary had entered into the following agreements :

24.1 Leasehold right transfer agreement with a company. As of December 31, 2006 the Company had received the deposit of Baht 18.1 million. To receive the leasehold right, the terms of the agreement specified that the receiver shall make the payment of Baht 181 million to the Company within August 31, 2007. If the receiver can not comply with the agreement, the deadline can be extended to December 31, 2008 by issue an advance written request within July 31, 2007.

24.2 Rental and exclusive right agreement with the Department of Industrial Works whereby the Company is granted the right to operate in the Industrial Waste Facility at Samae Dam including the Research and Development Center for Environmental Conservation (Rajburi) for a period of 10 years. Under the terms of the agreement, the Company agreed to pay annual rental fee amounting to approximately Baht 0.9 million per year and royalty fee at a certain percentage of waste served. The agreement commenced from March 29, 1996, and terminates on September 30, 2006.

In the third quarter of year 2006, the Company has renewed the said agreement for another 10 years commencing from October 1, 2006, the Company has agreed to pay annual rental fee from year 1<sup>st</sup> to year 5<sup>th</sup> amounting to approximately Baht 1.06 million per year, year 6<sup>th</sup> to year 10<sup>th</sup> amounting to approximately Baht 1.37 million per year and royalty fee at a certain percentage of waste served.

24.3 Three land lease agreements with The Industrial Estate Authority of Thailand (which is one of the Company's shareholders) for a period of 30 years up to May 2026, August 2026 and March 2031. The Company is committed to pay fees at the rate specified in the agreement. Under the terms of the agreements, the Company is committed to pay deposits of Baht 4.3 million (which are recorded as "Deposits for rent to related party" in the balance sheets).

Rental fee for the year amounted to Baht 8.0 million in year 2006 and Baht 7.7 million in year 2005.

24.4 Vehicle lease agreement for a period of 3 years up to February 2008. The annual rental fee approximately Baht 0.8 million.

24.5 The contract of Investing in Reception Facility at Leam chabang Port with the Port Authority of Thailand (PAT). The contract shall be effective on July 1, 2004 and terminate on June 30, 2024. The Company has the right to request for renewal of the contract for two times with renewal periods of 5 years per time by giving not less than one year advance written notice. Under the terms of the contract, the Company agreed to pay PAT an annual fee pursuant to amount and time as specified in the contract and pay additional fee based on a percentage of service income from treatment of waste with marine oil.

At present, due to the property has been occupied by trespasser, the Company is unable to construct and operate the above project within the date specified in the said contract. The Board of Directors Meeting held on November 9, 2006 had approved to terminate the said contract and take legal action against the Port Authority of Thailand. The Company is in the process of such resolution.

24.6 The subsidiary has signed a Land and structures lease agreement with other person for a period of 26 months up to December 2008. The annual rental fee amounted to Baht 0.8 million.

24.7 On November 21, 2006, the Company has signed a strategic business alliance agreement with a local company for a period of 3 years. The company will be received the fee at the rate specified in the agreement.

## 25. DISPUTE

On August 3, 2004, a local company (Plaintiff) filed a legal action against the judgement of the Nonthaburi Court that the Company is responsible for paying the second installment of land purchasing amounting to Baht 29,988,000 and interest charges at 7.5% per annum from the overdue date since June 18, 2003 up to the date that payment is made.

On September 22, 2004, the Company answered and counterclaimed against the Nonthaburi Court that the agreement was invalid and the plaintiff should return the first installment that the Company paid for land purchasing in September 2002 amounting to Baht 4,998,000 and interest charges at the rate of 7.5% per annum calculated from September 23, 2002 up to the date of filing totaling two years amounting to Baht 749,700. The said amounts total Baht 5,747,700. In addition, the Company asked the plaintiff to pay the interest charge at the rate of 7.5% per annum of the principal amount of Baht 4,998,000 from the date after filing date up to the date that payment is made.

On March 13, 2006, the Company has filed petition to withdraw counterclaimed of the said case.

On April 26, 2006, the Nonthaburi Court had ordered the Company to pay Baht 29,988,000 to plaintiff together with interest at the rate of 7.5 % per annum from June 26, 2003 until the date that payment has been made.

On July 25, 2006, the Company has filed to the Appeal Court and the Court has not yet delivered the ruling.

## 26. COMMITMENT AND CONTINGENT LIABILITY

As of December 31, 2006 and 2005, the Company and subsidiary companies have commitment and contingent liabilities as follows:

|   | In Million Baht |      |                  |      |
|---|-----------------|------|------------------|------|
|   | Consolidated    |      | The Company Only |      |
|   | 2006            | 2005 | 2006             | 2005 |
| 26.1 Contingent liabilities to two local banks for letters of guarantee issued to related parties, private companies and government agencies to guarantee rental agreements, treatment service agreements and investing in Reception Facility at Leam chabang port. | 39.8            | 39.6 | 39.8             | 39.6 |
| 26.2 Contingent liability to a local bank for letter of guarantee issued to a government agency to guarantee for performance under utility construction, which has secured by company's fixed deposit account.  | 8.5             | -    | 8.5              | -    |
| 26.3 Contingent liability for guarantee a subsidiary company.   | -               | -    | 22.1             | -    |
| 26.4 The Company and a subsidiary company have commitment under the construction agreements and others.   | 9.9             | 24.5 | 9.5              | 24.1 |
| 26.5 Commitment from purchase of land for development.  | -               | 15.0 | -                | 15.0 |
| 26.6 A subsidiary has commitment from purchase land held for future development.  | 6.3             | -    | 6.3              | -    |

## 27. DISCLOSURES OF FINANCIAL INSTRUMENTS

The Company and subsidiaries do not engage in any off-balance sheet transactions concerning the speculation or trading of derivatives.

### 27.1 Interest Rate Risk

As of December 31, 2006 and 2005, the Company and subsidiaries have financial assets and financial liabilities exposed to interest rate risk as follows:

|                       | Consolidated           |             |                                  |            |                   |   |                   |   |                           |      |           |           |
|-----------------------|------------------------|-------------|----------------------------------|------------|-------------------|---|-------------------|---|---------------------------|------|-----------|-----------|
|                       | Baht                   |             |                                  |            |                   |   |                   |   | Average Interest Rate (%) |      |           |           |
|                       | Floating Interest Rate |             | Fixed Interest Rate Maturing In: |            |                   |   |                   |   | Floating                  |      | Fixed     |           |
|                       | 2006                   | 2005        | 1 Year or less                   |            | Over 1 to 5 Years |   | More than 5 Years |   | 2006                      | 2005 | 2006      | 2005      |
| Cash in banks         | 93,093,637             | 179,490,122 | 55,505,483                       | 42,583,975 | -                 | - | -                 | - | 0.5                       | 0.5  | 4.5 - 5.1 | 2.5 - 3.0 |
| Long - term loan      | -                      | 2,500,000   | -                                | -          | -                 | - | -                 | - | -                         | 6.5  | -         | -         |
| Hire purchase payable | -                      | -           | -                                | -          | 18,739,466        | - | -                 | - | -                         | -    | 8.4 - 8.8 | -         |

  

|                                   | The Company Only       |             |                                  |            |                   |             |                   |   |                           |      |       |      |
|-----------------------------------|------------------------|-------------|----------------------------------|------------|-------------------|-------------|-------------------|---|---------------------------|------|-------|------|
|                                   | Baht                   |             |                                  |            |                   |             |                   |   | Average Interest Rate (%) |      |       |      |
|                                   | Floating Interest Rate |             | Fixed Interest Rate Maturing In: |            |                   |             |                   |   | Floating                  |      | Fixed |      |
|                                   | 2006                   | 2005        | 1 Year or less                   |            | Over 1 to 5 Years |             | More than 5 Years |   | 2006                      | 2005 | 2006  | 2005 |
| Cash in banks                     | 51,121,087             | 110,095,142 | 40,232,780                       | 32,583,975 | -                 | -           | -                 | - | 0.5                       | 0.5  | 4.5   | 2.5  |
| Long - term loans to subsidiaries | -                      | -           | -                                | -          | 111,000,000       | 104,000,000 | -                 | - | -                         | -    | 3.0   | 3.0  |
| Long - term loan                  | -                      | 2,500,000   | -                                | -          | -                 | -           | -                 | - | -                         | 6.5  | -     | -    |

## 27.2 Credit Risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to meet a financial commitment entered into with the Company as and when the commitment falls due. This risk is controlled by the application of credit approvals, limits and monitoring procedures. The maximum credit risk exposure is the book value of receivables after deduction of allowance for doubtful accounts as presented in the balance sheet.

## 27.3 Liquidity Risk

The Company and subsidiaries monitor their liquidity risk and maintain a level of cash and cash equivalents deemed adequate by management to finance the Company's and subsidiaries' operations and to mitigate the risk of fluctuations in cash flows.

## 27.4 Fair Value

Financial instruments include cash on hand and in banks, trade account receivables, other receivables, investments, long-term loan to, trade account payables, other payables, hire purchase payable and long-term loan.

The fair values of cash on hand and in banks, trade account receivables, other receivables, trade account payables and other payables approximate carrying value due to the relatively short-term maturity.

The fair values of marketable securities are estimated based on their quoted market prices.

The fair value of long-term loan to, hire purchase payable and long-term loan approximates carrying value as the interest rate of this loan approximates the current market interest rate.

## 28. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the financial statements as presented herein for comparative purpose have been reclassified to conform with the current period's classification, with no effect on the net profit (loss) or shareholders' equity as previously reported.

## 29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2006 have been approved by an authorized management designated by the Company on February 7, 2007.