

**GENERAL ENVIRONMENTAL CONSERVATION PUBLIC COMPANY LIMITED  
AND ITS SUBSIDIARIES**  
**Notes to Interim Financial Statements**  
**June 30, 2009 and 2008 (Reviewed)**  
**And December 31, 2008 (Audited)**

The financial statements were authorized for issue by the directors on August 13, 2009.

**1. BASIS OF INTERIM FINANCIAL STATEMENT PREPARATION**

These interim financial statements are prepared in accordance with the Accounting Standard No. 41 (Revised 2007) "Interim Financial Reporting" and Regulations of The Stock Exchange of Thailand (SET) relating to accounting.

The interim financial statements are prepared as updated information to the financial statements for the year ended December 31, 2008 with an emphasis on the more current information about activities, events and situations, not a duplicate of information previously reported. These interim financial statements should therefore be read in conjunction with the financial statements for the year ended December 31, 2008.

The accompanying financial statements are prepared in Thai Baht and in the Thai language in conformity with generally accepted accounting principles in Thailand. The accompanying financial statements are intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in Thailand.

For the convenience of the reader, an English translation of financial statements has been prepared from the statutory Thai language financial statements which are issued for domestic reporting purposes.

The consolidated financial statements as at June 30, 2009 and December 31, 2008, include the accounts of the Company and its subsidiaries which the Company has controlling power or directly and indirectly holdings on those subsidiaries as follows :

Name of Companies	Type of business	Paid-up share capital		Percentage of direct and indirect holdings (%)	
		(In Thousand Baht)		June 30, 2009	December 31, 2008
		June 30, 2009	December 31, 2008		
Asia Patana Land Co., Ltd.	Buy, sale, and land development	200,000	200,000	99.99	99.99
Genco Engineering Co., Ltd. *	Waste selection and management of waste for recycling facilities	20,000	20,000	99.99	99.99
General Logistics Co., Ltd.	Transportation of waste including provide the service of domestic transportation	5,000	5,000	99.99	99.99
Industrial Waste Management (Asia) Co., Ltd.	Industrial waste treatment	200,000	200,000	99.99	99.99

\* This subsidiary was liquidated in the second quarter of 2009

All significant intercompany transactions between the Company and subsidiaries included in the consolidated financial statements have been eliminated.

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**2. EFFECTIVE ACCOUNTING STANDARDS**

The Federation of Accounting Professions (FAP) has issued Notification No. 86/2551 regarding Accounting Standards. The notification mandates the use of the following new accounting standards.

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

These accounting standards will become effective for the financial statements for fiscal years beginning on or after January 1, 2009. The Managements of the Company and its subsidiaries have assessed the effect of these revised accounting standards and believes that they will not have any significant impact on the financial statements for the current year.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying interim financial statements have been prepared in accordance with generally accepted accounting principles. Accounting policies that have been applied in the preparation of the interim financial statements for the three-month and six-month periods ended June 30, 2009 are similar to those which have been applied to the financial statements for the year ended December 31, 2008.

**4. TRANSACTIONS WITH RELATED PARTIES**

A portion of the Company's assets, liabilities, revenues, costs and expenses arose from transactions with related companies. Related parties are those parties controlled by the Company, directly or indirectly or significant influence, to govern the financial and operating policies of the Company.

Types of relationship of related companies are as follows:

<u>Name of Related parties</u>	<u>Type of business</u>	<u>Type of relationship</u>
The Department of Industrial Works, The Ministry of Industry	The Government enterprise	Shareholders & Co directors
Industrial Estate Authority of Thailand	The Government enterprise	Shareholders & Co directors
Asia Patana Land Co., Ltd.	Buy, sale, and land development	Subsidiary
Genco Engineering Co., Ltd.	Waste selection and management of waste for recycling facilities	Subsidiary
General Logistics Co., Ltd.	Transportation of waste including provide the service of domestic transportation	Subsidiary
Industrial Waste Management (Asia) Co., Ltd.	Industrial waste treatment	Subsidiary

Pricing policies for each transactions are described as follows:

<u>Transactions</u>	<u>Pricing policies</u>
Real estate development cost	Cost plus margin
Transportation expense	Market price
Rental and royalty fee	Market price
Interest income	Interest rate at 3% p.a.

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Significant revenues and expenses derived from transactions with related parties for the three-month and six-month periods ended June 30, 2009 and 2008 are summarized as follows:

	In Thousand Baht			
	Consolidated			
	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2009	2008	2009	2008
<b>Rental and royalty fee</b>				
Industrial Estate Authority of Thailand	1,286	1,285	2,557	2,606
The Department of Industrial Works	1,775	776	4,069	1,619
<b>Other expenses</b>				
Industrial Estate Authority of Thailand	76	466	514	933

	In Thousand Baht			
	The Company only			
	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2009	2008	2009	2008
<b>Real estate development cost</b>				
Asia Patana Land Co., Ltd.	-	-	1,200	-
<b>Sales</b>				
Genco Engineering Co., Ltd.	-	-	-	675
<b>Interest income</b>				
Asia Patana Land Co., Ltd.	-	1,013	-	2,239
General Logistics Co., Ltd.	232	83	461	165
<b>Transportation expense</b>				
General Logistics Co., Ltd.	14,424	8,175	31,793	16,856
<b>Rental and royalty fee</b>				
Industrial Estate Authority of Thailand	1,286	1,285	2,557	2,606
The Department of Industrial Works	1,775	776	4,069	1,619
<b>Other expenses</b>				
Industrial Estate Authority of Thailand	76	466	514	933

The balances of receivables from and payables to related parties as of June 30, 2009 and December 31, 2008 were as follows:

	In Thousand Baht			
	Consolidated		The Company only	
	June 30,2009	December 31, 2008	June 30,2009	December 31, 2008
<b>Advance to director</b>	-	300	-	-
<b>Prepaid rent</b>				
Industrial Estate Authority of Thailand	2,783	1,942	2,783	1,942
<b>Deposit for rent</b>				
Industrial Estate Authority of Thailand	31	31	31	31
General Logistics Co.,Ltd.	-	-	2,000	2,000
	31	31	2,031	2,031

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	In Thousand Baht			
	Consolidated		The Company only	
	June 30,2009	December 31, 2008	June 30,2009	December 31, 2008
<b>Long-term loan and interest receivable</b>				
General Logistics Co.,Ltd.				
Long-term loan (interest rate at 3%p.a.)	-	-	-	31,000
Interest receivable	-	-	-	996
	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,996</u>
<b>Trade accounts payable</b>				
General Logistics Co.,Ltd.	-	-	5,054	2,533
Industrial Estate Authority of Thailand	34	35	34	35
The Department of Industrial Works	387	582	387	582
	<u>421</u>	<u>617</u>	<u>5,475</u>	<u>3,150</u>
<b>Advance from director</b>	<u>-</u>	<u>1,200</u>	<u>-</u>	<u>-</u>

The significant movements of loans to related parties during the period are as follows

	In Thousand Baht			
	The Company only			
	December 31,2008	Increase	Decrease	June 30,2009
<b>Principal</b>				
Loan agreement 1	4,000	-	4,000	-
Loan agreement 2	7,000	-	7,000	-
Loan agreement 3	20,000	-	20,000	-
Total	<u>31,000</u>	<u>-</u>	<u>31,000</u>	<u>-</u>

The Company entered into three loan agreements with General Logistics Co., Ltd. as follows :

Loan agreement 1, amounted to Baht 4 million repayable within December 2010.

Loan agreement 2, amounted to Baht 7 million repayable within September 2011.

Loan agreement 3, credit facility of Baht 25 million, as at December 31, 2008, the subsidiary company had drawdown Baht 20 million. Such loan is repayable within 5 years commencing from date of the first drawdown (August 25, 2008).

The above three loan agreements bearing interest rate at 3.0% p.a.

In addition, the Company entered into the significant contracts with related parties are as follows:

- a) Rental and exclusive right agreement (Note 16.1)
- b) Land lease agreement (Note 16.2)

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**5. TRADE ACCOUNTS RECEIVABLE - NET**

As at June 30, 2009 and December 31, 2008, the trade accounts receivable are classified by aging as follows:

	In Thousand Baht			
	Consolidated		The Company only	
	June 30,2009	December 31, 2008	June 30,2009	December 31, 2008
<b>Billed receivables</b>				
Trade accounts receivable - service				
Current	21,670	27,141	21,670	27,141
Overdue				
Less than 3 months	10,815	16,474	10,815	16,474
Over 3 months to 6 months	383	1,018	383	1,018
Over 6 months to 12 months	333	60	333	60
Over 12 months	6,472	6,823	6,472	6,823
	<u>39,673</u>	<u>51,516</u>	<u>39,673</u>	<u>51,516</u>
Trade accounts receivable – real estate				
Current	970	110	970	110
Overdue				
Less than 3 months	50	-	50	-
Over 3 months to 6 months	-	-	-	-
Over 6 months to 12 months	-	-	-	-
Over 12 months	232	232	232	232
	<u>1,252</u>	<u>342</u>	<u>1,252</u>	<u>342</u>
Total	40,925	51,858	40,925	51,858
Less allowance for doubtful accounts	(5,098)	(5,508)	(5,098)	(5,508)
Net	<u>35,827</u>	<u>46,350</u>	<u>35,827</u>	<u>46,350</u>
<b>Unbilled receivables</b>				
Trade accounts receivable - service	<u>14,732</u>	<u>17,954</u>	<u>14,732</u>	<u>17,954</u>

**6. REAL ESTATE DEVELOPMENT COST**

As at June 30, 2009 and December 31, 2008, the Company and a subsidiary mortgaged its plots of land and constructions for sale and land and structure held for future development in totaling of Baht 449.3 million and Baht 295.4 million, respectively, as collateral for loan from a local bank in credit facilities totaling of Baht 216.3 million.

**7. LONG – TERM INVESTMENTS – AVAILABLE – FOR – SALES**

	In Thousand Baht			
	Consolidated			
	June 30,2009		December 31 ,2008	
	Cost	Fair value	Cost	Fair value
Available-for-sale securities				
Investment in marketable equity securities	122,053	47,438	122,703	34,256
Less unrealized loss recognized in equity	(74,615)	-	(88,447)	-
Net	<u>47,438</u>	<u>47,438</u>	<u>34,256</u>	<u>34,256</u>

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	In Thousand Baht			
	The Company only			
	June 30,2009		December 31 ,2008	
	Cost	Fair value	Cost	Fair value
Available-for-sale securities				
Investment in marketable equity securities	120,803	46,188	120,703	32,256
Less unrealized loss recognized in equity	(74,615)	-	(88,447)	-
Net	<u>46,188</u>	<u>46,188</u>	<u>32,256</u>	<u>32,256</u>

**8. INVESTMENTS IN SUBSIDIARIES ACCOUNTED FOR USING  
THE COST METHOD - NET**

	The Company only					
	In Thousand Baht					
	Percentage of holding		Paid – up share capital		Investment	
	June 30,2009	December 31,2008	June 30,2009	December 31,2008	June 30,2009	December 31,2008
Asia Patana Land Co., Ltd.	99.99	99.99	200,000	200,000	200,000	200,000
Genco Engineering Co., Ltd.	-	99.99	-	20,000	-	20,000
General Logistics Co., Ltd.	99.99	99.99	5,000	5,000	5,000	5,000
Industrial Waste Management (Asia) Co., Ltd.	99.99	99.99	200,000	200,000	200,000	200,000
Total					<u>405,000</u>	<u>425,000</u>
Less Impairment loss on investments					<u>(24,706)</u>	<u>(32,085)</u>
Net					<u>380,294</u>	<u>392,915</u>

**9. PROPERTY, PLANT AND EQUIPMENT - NET**

	In Thousand Baht	
	Consolidated	The Company only
Net book value as at January 1, 2009	430,114	209,575
Acquisitions during the period-at cost	2,188	2,015
Written – off during period – net book value at disposal and written – off date	(7)	(7)
Cost of fixed asset sold during the period	(1,464)	-
Depreciation for the period	<u>(21,357)</u>	<u>(14,643)</u>
Net book value as at June 30, 2009	<u>409,474</u>	<u>196,940</u>

The Company's buildings and machinery at Map Ta Phut Industrial Waste Treatment Facilities are mortgaged as collateral for a letter of guarantee line obtained from a local bank totaling approximately Baht 45 million. The net carrying value of such assets as of June 30, 2009 and December 31, 2008 amounted to approximately Baht 74.5 million and Baht 79.1 million, respectively.

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**10. LONG - TERM LOANS**

	In Thousand Baht			
	Consolidated		The Company only	
	June 30,2009	December 31, 2008	June 30,2009	December 31, 2008
Loans from bank				
Loan 1	14,106	17,508	14,106	17,508
Loan 2	95,900	95,900	95,900	95,900
Loan 3	45,450	-	-	-
Total	155,456	113,408	110,006	113,408
Less Current portion	(29,517)	(13,165)	(29,517)	(13,165)
Net	125,939	100,243	80,489	100,243

In year 2008, the Company entered into loan agreements with a local bank in the amount of Baht 155.8 million details are as follows :

Loan 1, credit lines of Baht 34.9 million for working capital of the real estate development project and the Company had completely drawdown the loan, repayable in installments commencing from February 2008 to February 2014 with interest at the rates as follows :

- In 1st year - 4th year at MLR + 1.50% p.a.
- 5th year onward at MLR + 2.50% p.a.

The above loan is secured by the mortgage of the Company's land and structures for sales.

Loan 2, credit lines of Baht 120.9 million for project development cost, the Company had drawdown Baht 95.9 million. Such loan is repayable in six - month installments commencing from November 2009 and full repayment is to be paid within November 2014 with interest at the rate MLR (Siam Commercial Bank) + 1.50% p.a.

The above loan is secured by the mortgage of the Company's land and structures under development.

In the second quarter of 2009, a subsidiary entered into a loan agreement with a local bank in the amount of Baht 60.5 million details are as follows:

Loan 3, credit lines of Baht 60.5 million for project development cost, the Company had drawdown Baht 45.5 million. Such loan is repayable in six - month installments commencing from June 2010 and full repayment is to be paid within June 2015 with interest at the rate MLR (Siam Commercial Bank) + 2% p.a.

The above loan is secured by the mortgage of the subsidiary's land and structures under development.

**11. LIABILITIES UNDER FINANCIAL LEASE CONTRACTS**

	In Thousand Baht			
	Consolidated		The Company only	
	June 30,2009	December 31,2008	June 30,2009	December 31,2008
Liabilities under financial lease contracts				
Trucks and chassis	9,246	12,616	-	-
Transportation equipment	6,893	8,164	3,797	4,569
	16,139	20,780	3,797	4,569
Less Deferred interest	(1,070)	(1,705)	(279)	(412)
	15,069	19,075	3,518	4,157
Less Current portion	(8,656)	(8,251)	(1,350)	(1,303)
Net	6,413	10,824	2,168	2,854

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As at June 30, 2009 and December 31, 2008, the Company and subsidiary have liabilities under financial lease contracts with the period of payment as follows:

	In Thousand Baht					
	Consolidated					
	June 30, 2009			December 31, 2008		
	Principal	Deferred interest	Total	Principal	Deferred interest	Total
Payment due 1 year	8,656	827	9,483	8,251	1,131	9,382
Payment due over 1 year to 5 years	6,413	243	6,656	10,824	574	11,398
Total	15,069	1,070	16,139	19,075	1,705	20,780

	In Thousand Baht					
	The Company only					
	June 30, 2009			December 31, 2008		
	Principal	Deferred interest	Total	Principal	Deferred interest	Total
Payment due 1 year	1,350	195	1,545	1,303	242	1,545
Payment due over 1 year to 5 years	2,168	84	2,252	2,854	170	3,024
Total	3,518	279	3,797	4,157	412	4,569

**12. EXPENSES BY NATURE**

The significant expenses classified by nature for the three-month and the six-month periods ended June 30, 2009 and 2008 are as follows:

	In Thousand Baht			
	Consolidated			
	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2009	2008	2009	2008
Change in real estate development cost	5,808	5,023	13,720	12,659
Employee benefits expense	18,108	21,748	47,180	43,349
Management benefits expense	3,886	6,223	8,173	10,956
Depreciation and amortization	13,089	14,880	25,540	29,289
Transportation expenses	11,481	30,310	17,510	54,462
Chemical, supplies and lab analysis expenses	14,651	27,183	28,800	49,917
Other expenses	13,621	12,529	34,639	22,776
Total	80,644	117,896	175,562	223,408

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	In Thousand Baht			
	The Company only			
	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
	2009	2008	2009	2008
Change in real estate development cost	5,808	5,023	13,720	12,659
Employee benefits expense	15,985	20,157	42,260	39,551
Management benefits expense	3,886	6,223	8,173	10,956
Depreciation and amortization	9,713	13,381	18,827	26,230
Transportation expenses	15,271	30,213	31,955	58,957
Chemical, supplies and lab analysis expenses	14,312	26,782	28,199	49,103
Other expenses	15,598	15,385	32,511	24,783
<b>Total</b>	<b>80,573</b>	<b>117,164</b>	<b>175,645</b>	<b>222,239</b>

**13. INCOME TAX**

No income tax expenses were payable for the three-month and six-month periods ended June 30, 2009 and 2008 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.

**14. COMPANY'S SERVICE INCOME**

By virtue of the provisions of the Investment Promotion Act B.E. 2520, the Company was granted certain privileges in business of disposal waste, industrial waste or waste water treatment service at Map Ta Phut Industrial Waste Treatment Facilities such as exemption from payment of income tax on net profit from the promoted business for a period of eight years from the date of operations and reduction of income tax at the rate of 50% of the net profit from the promoted business for the period of five years from the expiration date such period, etc.

Service income for the three-month and the six-month periods ended June 30, 2009 and 2008 classified under promoted and non - promoted businesses are as follows:

	In Thousand Baht			
	Consolidated and The Company only			
	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
	2009	2008	2009	2008
Promoted business	51,082	89,826	73,097	167,402
Non-promoted business	7,974	26,237	51,737	54,899
<b>Total</b>	<b>59,056</b>	<b>116,063</b>	<b>124,834</b>	<b>222,301</b>

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

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**15. BUSINESS SEGMENT INFORMATION**

The segment financial information of the Company and its subsidiary for the three-month and six-month periods ended June 30, 2009 and 2008 are as follows:

	In Thousand Baht							
	for the three-month periods ended June 30,							
	Service		Real estate		Elimination		Consolidation	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenues	73,480	124,237	8,969	7,222	(14,424)	(8,174)	68,025	123,285
Profit from operations	4,042	23,430	3,161	2,199	-	-	7,203	25,629
Other income							833	2,850
Administrative expenses	12,512	10,489	4,636	3,613	(1,212)	(85)	(15,936)	(14,017)
Management benefits expense							(3,886)	(6,223)
Finance cost							(602)	(1,015)
Income tax							(435)	(53)
Net profit (loss)							(12,823)	7,171

	In Thousand Baht							
	for the six-month periods ended June 30,							
	Service		Real estate		Elimination		Consolidation	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenues	156,627	239,156	22,877	20,557	(32,993)	(16,855)	146,511	242,858
Profit from operations	12,525	53,860	8,173	7,898	(216)	-	20,482	61,758
Other income							4,805	6,953
Administrative expenses	34,468	23,748	9,987	8,529	(2,095)	(925)	(41,360)	(31,352)
Management benefits expense							(8,173)	(10,956)
Finance cost							(1,271)	(1,542)
Income tax							(1,316)	(196)
Net profit (loss)							(26,833)	24,665

	In Thousand Baht					
	Service		Real estate		Consolidation	
	June 30, 2009	December 31, 2008	June 30, 2009	December 31, 2008	June 30, 2009	December 31, 2008
Property, plant and equipment-net	409,050	429,508	424	606	409,474	430,114
Other assets	225,925	287,917	720,831	640,712	946,756	928,629
Total assets	634,975	717,425	721,255	641,318	1,356,230	1,358,743

**16. AGREEMENTS**

As at June 30, 2009, the Company and subsidiaries had the following agreements :

16.1 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 from year 1st to year 5th amounting to approximately Baht 1.1 million per year, year 6th to year 10th amounting to approximately Baht 1.4 million per year and royalty fee at a certain percentage of waste served. The agreement commenced from October 1, 2006, and terminates on September 30, 2016.

Future minimum payments under the above rental agreement are as follows :

	In Million Baht
1 year	1.1
2 to 5 years	5.1
Over 5 years	3.1

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16.2 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 agreements.

Future minimum payments under the above operating lease agreements are as follows :

	<u>In Million Baht</u>
1 year	5.2
2 to 5 years	21.1
Over 5 years	79.2

16.3 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 1 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.

On April 11, 2007, the Company has terminated the contract with the Port Authority of Thailand. And on May 23, 2007, the Company filed the dispute of Investing in Reception Facility at Leam chabang Port to the Arbitration Institute by requesting the Port Authority of Thailand to pay for the damages to the Company amounted to Baht 927.7 million and the Arbitration Institute had ordered to accept the case for consideration. On August 9, 2007, the Port Authority of Thailand has filed the protestation. At present, the dispute is in the process of the Arbitration Institute.

16.4 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.

**17. COMMITMENTS AND CONTINGENT LIABILITIES**

As at June 30, 2009, the Company and subsidiary companies have

17.1 contingent liabilities to a local bank 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 Laem Chabang port amounting to Baht 37.5 million.

17.2 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 amounting to Baht 0.4 million.

17.3 commitment under the construction agreements and others amounting to Baht 3.6 million.

17.4 commitment under the attorney's consultant proposal in case of dispute the contract of Investing in Reception Facility at Laem chabang Port at the rate and basis as stipulated in the proposal.

**18. DIVIDENDS PAID AND LEGAL RESERVE**

At the Ordinary Shareholders' Meeting held on April 29, 2009, the shareholders resolved to declare total dividends at Baht 0.01 per share, in totaling of Baht 9 million. The payment was paid on May 21, 2009 and appropriated for legal reserve amounting to Baht 0.9 million.

**19. RECLASSIFICATION OF ACCOUNTS**

Certain accounts in 2008 were reclassified to conform with those in the 2009 financial statements.