

JASMINE INTERNATIONAL PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
31st DECEMBER, 1998 AND 1997

Report of Independent Auditor

To the Board of Directors and Shareholders of
Jasmine International Public Company Limited

I have audited the consolidated balance sheets of Jasmine International Public Company Limited and its subsidiaries, and the balance sheets of Jasmine International Public Company Limited, as at 31st December, 1998 and 1997, the related statements of earnings, retained earnings, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Companies' 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 require 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 statement presentation. I believe that my audit 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 Jasmine International Public Company Limited and its subsidiaries and of Jasmine International Public Company Limited as at 31st December, 1998 and 1997, the results of their operations, and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

Without qualifying my opinion on the financial statements, I draw attention to the following matters :-

- (a) As at 31st December, 1998, the Company and some of its subsidiaries had short-term borrowings from a financial institution totaling USD 40 million (1998 : USD 34.8 million) and long-term loans from the financial institutions totaling USD 80 million, Yen 9,500 million and Baht 880 million (1997 : USD 80 million, Yen 9,500 million and Baht 1,100 million). According to the loan agreements, the Company and its subsidiaries are required to maintain certain financial ratios at the level stipulated in the agreements. However, due to unfavourable economic circumstances, as at 31st December, 1998 and 1997, the Company and its subsidiaries were unable to meet such requirement and are now in the process of negotiation with the related financial institutions for relaxation of the requirement.

- (b) As discussed in Note 6 to the consolidated financial statements, as at 31st December 1998, one of the Company's subsidiaries showed in its books of account a sum of approximately Baht 327 million (1997 : Baht 315 million) as receivable from the Telephone Organisation of Thailand (TOT). The amount related to the value added tax on the revenue sharing pursuant to the joint investment agreement, concerning which the subsidiary company and the TOT took different stances on the issue and have made attempts to resolve their differences. In December 1998, the subsidiary company tendered an official letter to the TOT, calling for payment of the amount due to it. Up to this report date, no response has been received from the TOT. Since the Management believes that the amount will be recovered in full, no provision has been made against this receivable in the financial statements.

- (c) As at 31st December, 1998, the Company and some of its subsidiaries had significant amount of receivables and loans to an associated company in Thailand. Those outstanding balances have been included under the captions of "Accounts receivable - trade, related parties", "Short-term loans and advance to related parties" and "Loan to related party" in the balance sheets, totalling Baht 2,224 million, Baht 406 million and Baht 498 million, respectively (1997 : Baht 2,212 million, Baht 148 million and Baht 429 million, respectively). Such amounts include indebtedness due to the Company totalling Baht 498 million (1997 : Baht 429 million). Since the aforementioned associated company is in the stages of its debt restructuring, the outcome of which cannot be determined by Management at this time, no provision for doubtful debts has yet been made in the financial statements under report.
- (d) As at 31st December, 1998, another subsidiary company had loans and advances amounting to Baht 666 million receivable from an overseas associated company, which is in the early stages of its commercial operations and has experienced some financial difficulties. No provision for doubtful debts has been made against these loans and advances since the Management views the unfavourable situation as temporary and believes that the debts will be fully recovered.
- (e) Although Thailand's economic crisis, which occurred in 1997, has eased to a certain extent in the current year, its remaining adverse effects are expected to continue to impact on business environment. Nevertheless, the financial statements under report have been prepared on the going concern basis, assuming that the realisation of assets and settlement of liabilities and obligations will occur in the ordinary course of business of the Company, without significant disruption being anticipated.

Under my audit report dated 13th February, 1998, I expressed a qualified audit opinion that the financial statements for the year ended 31st December, 1997 were subject to the uncertainties referred to in the preceding paragraphs (a), (b) and (c). The opinion was given in accordance with the previous Board of Supervision of Auditing Practices (BSAP)'s Notification governing certification of an audit report. At this time the above uncertainties still exist, but under the Notification recently issued by the BSAP the auditor is not required to express a qualified opinion regarding the uncertainties discussed above.

Narong Puntawong

Certified Public Accountant (Thailand) No. 3315

BANGKOK : 12th February, 1999.

JASMINE INTERNATIONAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF CONSOLIDATION

1.1 The consolidated financial statements include the financial statements of Jasmine International Public Company Limited (hereinafter referred to as "Company") and its subsidiary companies as follows :-

| <u>Company</u> | <u>Types of business</u> | <u>Equity interest owned by the Company (%)</u> | | <u>Country of incorporation</u> | <u>Percentage of total assets against consolidated total as at</u> | | <u>Percentage of total revenues against consolidated total for the year ended</u> | |
|--|--|---|---------------------------------------|---------------------------------|--|---------------------------|---|-------------|
| | | <u>1998</u> | <u>1997</u> | | <u>31st December 1998</u> | <u>31st December 1997</u> | <u>1998</u> | <u>1997</u> |
| | | Acumen Co., Ltd. | Satellite telecommunications services | | 100 | 100 | Thailand | 20.30 |
| Jasmine Submarine Telecommunications Co., Ltd. | Operator of submarine optical fiber cable network | 100 | 100 | Thailand | 18.86 | 21.74 | 11.34 | 20.65 |
| Jasmine Smart Shop Co., Ltd. | Distributor of telecommunication equipment and accessories | 100 | 100 | Thailand | 0.16 | 0.28 | 2.09 | 4.67 |
| Jasmine International Overseas Co., Ltd. | Investment (both domestic and overseas) | 87.3 | 85.6 | Thailand | 13.64 | 9.98 | 13.61 | 2.06 |

| <u>Company</u> | <u>Types of business</u> | <u>Equity interest owned by the Company (%)</u> | | <u>Country of incorporation</u> | <u>Percentage of total assets against consolidated total as at</u> | | <u>Percentage of total revenues against consolidated total for the year ended</u> | |
|---|---|---|-------------|---------------------------------|--|-------------|---|-------------|
| | | <u>1998</u> | <u>1997</u> | | <u>31st December, 1998</u> | <u>1997</u> | <u>1998</u> | <u>1997</u> |
| | | | | | | | | |
| Jasmine Cable & Materials Co., Ltd. | Dormant | 100 | 100 | Thailand | 0.02 | 0.02 | - | 0.05 |
| Smart Highway Co., Ltd. | Dormant | 100 | - | Thailand | 0.06 | - | - | - |
| Siam Teltech Computer Co., Ltd. | System and software development and sales of computer products | 71.07 | 71.07 | Thailand | 3.11 | 2.90 | 4.54 | 10.52 |
| T.J.P. Engineering Co., Ltd. | Survey, design and construction of tele-communications-related projects | 80 | 80 | Thailand | 4.61 | 4.60 | 4.90 | 10.18 |
| Jasmine Telecom Systems Co., Ltd. | Design, installation and testing of telecommunication systems | 100 | 100 | Thailand | 11.91 | 7.49 | 18.86 | 20.94 |
| Jasmine Energy Co., Ltd. | Dormant | 90 | 90 | Thailand | 0.34 | 0.78 | 0.03 | 0.46 |
| Mobile Communication Services Co., Ltd. | Network expansion and maintenance of NMT 470 MHz. mobile phone network | 70 | - | Thailand | 0.18 | 0.14 | - | - |
| ACeS Regional Services Co., Ltd. (1998 : 100% held of equipment and services by ACeS (Thailand) Co., Ltd. ; 1997 : 100% held by Jasmine International Overseas Co., Ltd.) | Marketing and distribution to satellite-based cellular phone users | - | - | Thailand | 2.14 | 1.75 | 0.19 | 0.36 |

| <u>Company</u> | <u>Types of business</u> | <u>Equity interest owned by the Company (%)</u> | | <u>Country of incorporation</u> | <u>Percentage of total assets against consolidated total as at</u> | | <u>Percentage of total revenues against consolidated total for the year ended</u> | |
|--|---|--|--------------------|---------------------------------|--|-------------|---|-------------|
| | | <u>1998</u> | <u>1997</u> | | <u>31st December, 1998</u> | <u>1997</u> | <u>31st December, 1998</u> | <u>1997</u> |
| | | ACeS (Thailand) Co., Ltd. (100% held by Jasmine International Overseas Co., Ltd.) | Investment holding | | - | - | Thailand | 0.03 |
| Thai Long Distance Telecommunications Co., Ltd. (90% held by Jasmine Submarine Telecommunications Co., Ltd.) | Operator of submarine optical fibre cable network | - | - | Thailand | 3.72 | 4.56 | 2.68 | 0.75 |
| Clippership Investments (BVI) Limited (100% held by Jasmine International Overseas Co., Ltd.) | Investment holding | - | - | British Virgin Island | 0.25 | - | 0.01 | - |

The consolidated financial statements include the financial statements of Jasmine Energy Company Limited and Jasmine Cable and Materials Company Limited for the year ended 31st December, 1998. These companies registered the company dissolution with Ministry of Commerce on 31st January, 1998.

Moreover, the consolidated financial statements include the financial statements of Clippership Investment (BVI) Limited, a wholly - owned subsidiary of Jasmine International Overseas Company Limited. Such financial statements were not examined by other auditors.

1.2 Outstanding balances and significant intercompany transactions between the Company and its subsidiaries, and investment balances in the Company's records and share capital of its subsidiaries have been eliminated from the consolidated financial statements.

1.3 The excess of cost of investments in subsidiary companies over their net book value upon acquisition is amortised over a period of 10 - 20 years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Sales and service income

Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discount and allowance.

Service income is recognised when services have been rendered.

Service income from concession contracts is recognised in accordance with the revenue sharing percentage as stipulated in the related contracts based on the number of circuits installed and in service. The income is shown in the accounts after excluding related value added tax.

Service income from construction and system development contracts is recognised under the percentage-of-completion method.

2.2 Allowance for doubtful accounts

Allowance for doubtful accounts is provided for the estimated collection losses that may incur in collection of receivables. The allowance is based on collection experience and current status of receivable outstanding at the balance sheet date.

2.3 Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined on the first-in, first-out method (weighted average method for some of its subsidiaries), except computer equipment products on the specific identification method.

2.4 Investments in related parties

Investments in subsidiary companies (only in the financial statements of the Company) and investments in associated companies are stated under the equity method of accounting. Under this method, the investment is recorded at cost and for each subsequent period the investment is adjusted to incorporate the Company's proportionate share of the operating results in the subsidiary and associated companies.

Investments in related companies are stated at cost. Allowance for diminution in value of the investment will be set aside only upon any permanent diminution in value of the investment. Income from investments is recognised on an accrual basis.

2.5 Depreciation

Depreciation of plant and equipment is calculated by reference to their cost on a straight-line basis over their estimated useful lives as follows :-

| | | |
|---|---|--------------------|
| Office building | - | 20 years |
| Leasehold right | - | over lease periods |
| Leasehold improvements | - | 5 years |
| Furniture, fixtures and office equipment | - | 5 and 6.67 years |
| Motor vehicles | - | 5 years |
| Vessels | - | 5 years |
| Equipment for the rural telephone project through satellite system | - | 9 - 12 years |
| Satellite transmission equipment installed for customers | - | 5 years |

No depreciation is provided for land and construction in progress.

2.6 Deferred charges and amortisation

- (a) Costs of the submarine optical fibre cable project are amortised over the concession periods and calculated by reference to the proportion of the number of circuits available for service in each year against the total number of circuits available throughout the contract periods.
- (b) Costs of the satellite transmission system project are amortised on a straight-line basis over the concession periods.

(c) Other deferred charges are amortised on a straight-line basis over the following periods :-

| | | | |
|---|---|---|-------|
| Pre-operating expenses | - | 5 | years |
| Underwriting fees and expenses relating to share capital increase | - | 5 | years |
| Fees and expenses relating to long-term borrowings | - | over the period of the loan agreements. | |

2.7 Foreign currencies

Exchange rates adopted :-

Foreign currency transactions

during the year

- at the rates ruling on the transaction dates.

Assets and liabilities in foreign

currency outstanding on the

balance sheet date

- at the rates ruling on the balance sheet date, with the exception of those covered by forward exchange contracts, at the contracted rates.

Exchange gains and losses are included in determining earnings.

2.8 Financial derivative instruments

The Company and its subsidiaries occasionally purchase forward exchange contracts to reduce their exposure from exchange rate fluctuation risk. For contracts that are designated and effective as hedges against identifiable foreign currency assets and liabilities, discounts or premiums (the difference between the spot exchange rate and the forward exchange rate at inception of the contract) are deferred and amortized to earnings over the contract lives using the straight-line method while gains or losses resulting from subsequent changes in the spot exchange rate are credited or charged to earnings. For contracts which are designated as hedges against foreign currency commitments, discounts/premium and subsequent unrealised gains or losses resulting from the changes in the spot rate are deferred and will form a part of the underlying transactions in the future.

2.9 Earnings (loss) per share

Earnings (loss) per share is determined by dividing net earnings (loss) for the year by the number of ordinary shares outstanding at the balance sheet date.

NOTE 3 - CASH IN HAND AND AT BANKS

Included in the balance at 31st December, 1998 are savings deposits of approximately Baht 24 million, which have been pledged to secure letters of guarantee issued by the banks.

NOTE 4 - SHORT-TERM INVESTMENTS

Included in the balance as at 31st December, 1998 are fixed deposits of approximately Baht 45.9 million (1997 : Baht 0.3 million) which have been pledged by the Company and some of its subsidiaries to secure letters of guarantee issued by the banks.

NOTE 5 - RELATED PARTY TRANSACTIONS

During the years, the Company had significant business transactions with its subsidiary, associated and related companies (related by ways of common shareholders and/or directors). Significant transactions, which have been concluded on the terms and basis as specified in the agreements between the Company and those companies and in the ordinary course of business, are summarised below :-

| | <u>CONSOLIDATED</u> | | <u>THE COMPANY ONLY</u> | |
|---|---------------------|--------------|-------------------------|--------------|
| | <u>1998</u> | <u>1997</u> | <u>1998</u> | <u>1997</u> |
| | Million Baht | Million Baht | Million Baht | Million Baht |
| <u>Transactions with subsidiary companies</u> | | | | |
| Sales and service income | - | - | 8 | 3 |
| Management income | - | - | 342 | 344 |
| Rental and other service income | - | - | 29 | 26 |
| Interest income | - | - | 155 | 130 |
| Interest expense | - | - | 274 | 162 |
| <u>Transactions with associated and related companies</u> | | | | |
| Sales and service income | 261 | 1,640 | - | - |
| Rental and other service income | 34 | 3 | 1 | 2 |
| Management income | - | 1 | - | - |
| Interest income | 344 | 111 | 74 | 51 |
| Interest expense | 30 | 12 | 30 | 12 |
| Expenditure relating to installation | | | | |
| of the rural telephone project | 448 | 242 | - | - |
| Leasehold right - office building | 415 | - | 415 | - |

In August 1998, the Company ("lessor") has leased office space of 12,704 square metre from an associated company. The rental for that property of Baht 415 million has been paid in advance within 24 months for the lease period of 30 years commencing as from August 1998.

As at 31st December, the Company and its subsidiary companies had outstanding loans among the Company, subsidiary, associated and related companies as follows :-

| | <u>CONSOLIDATED</u> | | <u>THE COMPANY ONLY</u> | | <u>Interest charge policy</u> |
|--|---------------------|--------------|-------------------------|--------------|---------------------------------|
| | <u>1998</u> | <u>1997</u> | <u>1998</u> | <u>1997</u> | |
| | Million Baht | Million Baht | Million Baht | Million Baht | |
| <u>Short-term loans granted to :</u> | | | | | |
| <u>Subsidiary companies :</u> | | | | | |
| Acumen Co., Ltd. | - | - | - | 1 | Cost or cost + margin 0.25 - 1% |
| Jasmine Telecom Systems Co., Ltd. | - | - | 513 | 839 | Cost or cost + margin 0.25 - 1% |
| T.J.P. Engineering Co., Ltd. | - | - | 173 | 225 | Cost or cost + margin 0.25 - 1% |
| Jasmine International Overseas Co., Ltd. | - | - | 241 | - | Cost or cost + margin 0.25 - 1% |
| Clippership Investment (BVI) Ltd. (100% held by Jasmine International Overseas Co., Ltd.) | - | 21 | - | - | Cost or cost + margin 0.25 - 1% |
| <u>Related companies :</u> | | | | | |
| Commet Com Co., Ltd. (Holder of 1.23% equity shares in Jasmine International Overseas Co., Ltd.) | - | 163 | - | - | Cost or cost + margin 0.25 - 1% |
| Sky-Serve Co., Ltd. (related by way of common director) | 85 | 85 | - | - | Cost or cost + margin 0.25 - 1% |
| <u>Long-term loans granted to :</u> | | | | | |
| <u>Associated company :</u> | | | | | |
| Thai Telephone & Telecommunication Plc. | 497 | 429 | 497 | 429 | Cost or cost + margin 0.25 - 1% |

| | <u>CONSOLIDATED</u> | | <u>THE COMPANY ONLY</u> | | <u>Interest charge policy</u> |
|--|---------------------|--------------|-------------------------|--------------|---------------------------------|
| | <u>1998</u> | <u>1997</u> | <u>1998</u> | <u>1997</u> | |
| | Million Baht | Million Baht | Million Baht | Million Baht | |
| <u>Short-term loans obtained from :</u> | | | | | |
| <u>Subsidiary companies :</u> | | | | | |
| Jasmine Submarine | | | | | |
| Telecommunications Co., Ltd. | - | - | 127 | 624 | Cost or cost + margin 0.25 - 1% |
| Jasmine Smart Shop Co., Ltd. | - | - | 10 | - | Cost or cost + margin 0.25 - 1% |
| Acumen Co., Ltd. | - | - | 136 | 747 | Cost or cost + margin 0.25 - 1% |
| Jasmine Cable & Materials Co., Ltd. | - | - | - | 19 | Cost or cost + margin 0.25 - 1% |
| Jasmine Energy Co., Ltd. | - | - | - | 1 | Cost or cost + margin 0.25 - 1% |
| Jasmine International Overseas Co., Ltd. | - | - | 558 | 592 | Cost or cost + margin 0.25 - 1% |
| Siam Teltech Computer Co., Ltd. | - | - | 17 | 67 | Cost or cost + margin 0.25 - 1% |
| <u>Long-term loans obtained from :</u> | | | | | |
| <u>subsidiary company :</u> | | | | | |
| Jasmine Submarine | | | | | |
| Telecommunications Co., Ltd. | - | - | 612 | 581 | Cost or cost + margin 0.25 - 1% |

As at 31st December, 1998, long-term loan obtained from a subsidiary company is USD currency loan amounting to USD 22 million (1997 : USD 23 million). The Company has already entered into foreign exchange contracts to hedge such loan against foreign exchange risk.

NOTE 6 - ACCOUNTS RECEIVABLE - TRADE

The aging of outstanding balance as at 31st December, 1998 are as follows :-

| <u>Past due period</u> | <u>Consolidated</u> Baht | <u>The Company only</u> Baht |
|--|-----------------------------|---------------------------------|
| <u>Accounts receivable -trade, related parties :</u> | | |
| Within 3 months | 287,050,886 | 3,906,760 |
| 3 - 6 months | 34,118,889 | - |
| 6 -12 months | 190,603,345 | 9,284,814 |
| More than 12 months | <u>1,875,985,096</u> | <u>238,303,846</u> |
| Total | 2,387,758,216 | 251,495,420 |
| Less : Allowance for doubtful accounts | <u>(67,306,474)</u> | <u>(67,306,474)</u> |
| Net | <u>2,320,451,742</u> | <u>184,188,946</u> |
| <u>Accounts receivable - trade, others :</u> | | |
| Within 3 months | 1,276,429,739 | 29,035,267 |
| 3 - 6 months | 108,328,968 | 11,503,508 |
| 6 -12 months | 344,966,958 | 11,149,276 |
| More than 12 months | <u>451,165,558</u> | <u>54,532,203</u> |
| Total | 2,180,891,223 | 106,220,254 |
| Less : Allowance for doubtful accounts | <u>(4,115,186)</u> | - |
| Net | <u>2,176,776,037</u> | <u>106,220,254</u> |
| Accounts receivable - net | <u>4,497,227,779</u> | <u>290,409,200</u> |

Included in the accounts receivable - trade, others under the age thresholds of 3-6 months, 6-12 months and over 12 months are the amounts receivable from the government agencies totaling Baht 107.6 million, Baht 236.1 million and Baht 330.2 million, respectively (Company only : Baht 11.1 million, Baht 11.0 million and Baht 28.2 million, respectively).

Furthermore, the balance of accounts receivable - trade, others as at 31st December, 1998 included value added tax (VAT) charged by a subsidiary to the Telephone Organization of Thailand (TOT) of approximately Baht 327 million (1997 : Baht 315 million), which remains unpaid by the TOT. The TOT has adopted the policy of deducting VAT from the revenue sharing amounts payable to the subsidiary whilst the subsidiary believes the TOT is obliged to bear the VAT and pay the revenue sharing to the subsidiary at gross amount. The subsidiary and the TOT are in the process of resolving their differences.

NOTE 7 - INVENTORIES

| | <u>CONSOLIDATED</u> | | <u>THE COMPANY ONLY</u> | |
|--|----------------------|--------------------|-------------------------|--------------------|
| | <u>1998</u> | <u>1997</u> | <u>1998</u> | <u>1997</u> |
| | BAHT | BAHT | BAHT | BAHT |
| Satellite transmission equipment | 163,054,167 | 586,776,586 | - | - |
| Finished goods and spare parts | 799,460,596 | 334,337,470 | 79,255,875 | 214,690,973 |
| Goods in transit | <u>48,266,227</u> | <u>1,651,555</u> | <u>-</u> | <u>-</u> |
| Total inventories | 1,010,780,990 | 922,765,611 | 79,255,875 | 214,690,973 |
| Less : Provision for damaged and obsolete stock | <u>(1,407,958)</u> | <u>(269,584)</u> | <u>-</u> | <u>-</u> |
| Inventories - net | <u>1,009,373,032</u> | <u>922,496,027</u> | <u>79,255,875</u> | <u>214,690,973</u> |

NOTE 8 -

INVESTMENTS

| | CONSOLIDATED | | | | | | | | | |
|--|--------------------|--------------------|----------------|------------------|--------------|--------------------|--------------------|----------------|------------------|----------|
| | 1998 | | | | | 1997 | | | | |
| | Investments | | | | | Investments | | | | |
| | Paid up capital | Equity interest | Cost method | Equity method | Dividend | Paid up capital | Equity interest | Cost method | Equity method | Dividend |
| Million Baht | Percent | Thousand Baht | Thousand Baht | Million Baht | Million Baht | Percent | Thousand Baht | Thousand Baht | Million Baht | |
| Investments in associated companies : | | | | | | | | | | |
| Thai Telephone & Telecommunication | | | | | | | | | | |
| Plc. | 11,250 | 22.58 | 4,263,888 | 1,895,288 | - | 11,250 | 22.9 | 4,339,003 | 1,770,245 | - |
| Premium Real Estate Co., Ltd. | 820 | 49 | 401,800 | 324,471 | - | 820 | 49 | 401,800 | 402,010 | - |
| Radiophone Co., Ltd. | 270 | 40 | 108,000 | - | - | 270 | 40 | 108,000 | - | - |
| Ericsson Thai Network Products | | | | | | | | | | |
| Co., Ltd. | 15 | 33.32 | 4,998 | 12,158 | 6 | 15 | 33.32 | 4,998 | 19,153 | - |
| Internet Knowledge Service Center | | | | | | | | | | |
| Co., Ltd. | 33 | 25 | 31,250 | 37,879 | - | 33 | 25 | 31,250 | 32,832 | - |
| Telecom KSC Co., Ltd. | 0.3 | 40 | 100 | 94 | - | 0.3 | 40 | 100 | 93 | - |
| PT Mobilkom Telekomindo | | | | | | | | | | |
| (Held by Jasmine International | | | | | | | | | | |
| Overseas Co.,Ltd.) | 90 | 49.75 | 124,514 | - | - | 183 | 49.75 | 124,514 | - | - |
| PT Asia Cellular Satellite | | | | | | | | | | |
| (Held by Jasmine International | | | | | | | | | | |
| Overseas Co.,Ltd.) | - | - | - | - | - | 9,859 | 33.33 | 1,774,120 | 3,222,143 | - |
| United Telecoms Ltd. | | | | | | | | | | |
| (Held by Jasmine International | | | | | | | | | | |
| Overseas Co.,Ltd.) | 96 | 40 | 702,723 | 687,075 | - | 130 | 40 | 702,723 | 1,246,818 | - |
| Priyaraj Electronics Ltd. | | | | | | | | | | |
| (Held by Jasmine International | | | | | | | | | | |
| Overseas Co.,Ltd.) | 17 | 40.14 | 25,210 | 31,943 | - | 18 | 40.14 | 25,210 | 46,947 | - |
| JI Telecoms Holdings Corporation | | | | | | | | | | |
| (Held by Jasmine International | | | | | | | | | | |
| Overseas Co.,Ltd.) | 5 | 25.75 | 1,260 | - | - | 6 | 25.72 | 1,260 | 1,515 | - |
| JT Mobiles Co., Ltd | | | | | | | | | | |
| (Held by Jasmine International | | | | | | | | | | |
| Overseas Co., Ltd.) | 2,704 | 23 | 512,670 | 349,464 | - | 3,697 | 13 | 289,770 | 505,245 | - |
| Aces International Limited | | | | | | | | | | |
| (Held by Jasmine International | | | | | | | | | | |
| Overseas Co., Ltd.) | 9,387 | 23.33 | 1,693,758 | 2,476,442 | - | - | - | - | - | - |

Investments in related companies :

Island Country Telecommunication Inc.

(Held by Jasmine

| | | | | | | | | | | |
|-----------------------------------|-----|-------|--------|--------|---|-----|----|--------|--------|---|
| International Overseas Co., Ltd.) | 172 | 25.71 | 50,566 | 19,228 | - | 231 | 19 | 29,559 | 14,371 | - |
|-----------------------------------|-----|-------|--------|--------|---|-----|----|--------|--------|---|

CONSOLIDATED

| CONSOLIDATED | | | | | | | | | | |
|----------------|-----------------|---------------|---------------|---------------|----------------|-----------------|---------------|---------------|---------------|---------------|
| 1998 | | | | | 1997 | | | | | |
| Investments | | | | | Investments | | | | | |
| Paid up | Equity | Cost | Equity | Dividend | Paid up | Equity | Cost | Equity | Dividend | Dividend |
| <u>capital</u> | <u>interest</u> | <u>method</u> | <u>method</u> | <u>method</u> | <u>capital</u> | <u>interest</u> | <u>method</u> | <u>method</u> | <u>method</u> | <u>method</u> |
| Million Baht | Percent | Thousand Baht | Thousand Baht | Million Baht | Million Baht | Percent | Thousand Baht | Thousand Baht | Million Baht | Baht |

Digital Telecommunication Phils,

Inc. (held by Jasmine

| | | | | | | | | | |
|-----------------------------------|---|---|---|---|--------|------|---------|---------|---|
| International Overseas Co., Ltd.) | - | - | - | - | 10,417 | 1.67 | 230,462 | 265,219 | - |
|-----------------------------------|---|---|---|---|--------|------|---------|---------|---|

| | | | | | | | | | |
|--------|--|--------------|--------------|----------|--|--|--------------|--------------|----------|
| Others | | <u>1,600</u> | <u>1,600</u> | <u>-</u> | | | <u>1,600</u> | <u>1,600</u> | <u>-</u> |
|--------|--|--------------|--------------|----------|--|--|--------------|--------------|----------|

| | | | | | | | | | |
|--|--|------------------|------------------|----------|--|--|------------------|------------------|----------|
| | | <u>7,922,337</u> | <u>5,835,642</u> | <u>6</u> | | | <u>8,064,369</u> | <u>7,528,191</u> | <u>-</u> |
|--|--|------------------|------------------|----------|--|--|------------------|------------------|----------|

During the period ended 31st March, 1998, the subsidiary disposed of its investment in Digital Telecommunication Phils, Inc., resulting in a gain of Baht 98.5 million.

THE COMPANY ONLY

| THE COMPANY ONLY | | | | | | | | | | |
|------------------|-----------------|---------------|---------------|---------------|----------------|-----------------|---------------|---------------|---------------|---------------|
| 1998 | | | | | 1997 | | | | | |
| Investments | | | | | Investments | | | | | |
| Paid up | Equity | Cost | Equity | Dividend | Paid up | Equity | Cost | Equity | Dividend | Dividend |
| <u>capital</u> | <u>interest</u> | <u>method</u> | <u>method</u> | <u>method</u> | <u>capital</u> | <u>interest</u> | <u>method</u> | <u>method</u> | <u>method</u> | <u>method</u> |
| Million Baht | Percent | Thousand Baht | Million Baht | Million Baht | Million Baht | Percent | Thousand Baht | Thousand Baht | Million Baht | Baht |

Investments in subsidiary companies :

| | | | | | | | | | | |
|------------------|-----|-----|---------|-----------|---|-----|-----|---------|---------|-----|
| Acumen Co., Ltd. | 760 | 100 | 759,999 | 1,234,962 | - | 760 | 100 | 759,999 | 939,320 | 177 |
|------------------|-----|-----|---------|-----------|---|-----|-----|---------|---------|-----|

Jasmine Submarine Telecommunications

| | | | | | | | | | | |
|-----------|-------|-----|-----------|-----------|-----|-------|-----|-----------|-----------|-----|
| Co., Ltd. | 1,550 | 100 | 1,945,999 | 2,003,370 | 915 | 1,550 | 100 | 1,945,999 | 2,931,581 | 280 |
|-----------|-------|-----|-----------|-----------|-----|-------|-----|-----------|-----------|-----|

| | | | | | | | | | | |
|------------------------------|-----|-----|--------|--------|---|-----|-----|--------|--------|---|
| Jasmine Smart Shop Co., Ltd. | 100 | 100 | 99,999 | 12,704 | - | 100 | 100 | 99,999 | 29,687 | - |
|------------------------------|-----|-----|--------|--------|---|-----|-----|--------|--------|---|

Jasmine International Overseas

| | | | | | | | | | | |
|-----------|-------|------|-----------|-----------|---|-------|------|-----------|-----------|---|
| Co., Ltd. | 2,430 | 87.3 | 2,088,430 | 2,272,153 | - | 2,430 | 85.6 | 2,077,970 | 3,353,625 | - |
|-----------|-------|------|-----------|-----------|---|-------|------|-----------|-----------|---|

| | | | | | | | | | | |
|-------------------------------------|---|-----|-------|-------|---|----|-----|--------|--------|---|
| Jasmine Cable & Materials Co., Ltd. | 6 | 100 | 6,000 | 5,831 | - | 25 | 100 | 25,000 | 24,900 | 1 |
|-------------------------------------|---|-----|-------|-------|---|----|-----|--------|--------|---|

| | | | | | | | | | | |
|---------------------------------|----|-------|--------|---------|---|----|-------|--------|---------|----|
| Siam Teltech Computer Co., Ltd. | 23 | 71.07 | 15,946 | 161,862 | - | 23 | 71.07 | 15,946 | 156,767 | 40 |
|---------------------------------|----|-------|--------|---------|---|----|-------|--------|---------|----|

| | | | | | | | | | | |
|---|--------|-------|-------------------|------------------|------------|--------|-------|-------------------|-------------------|------------|
| T.J.P. Engineering Co., Ltd. | 200 | 80 | 160,000 | 303,820 | - | 200 | 80 | 160,000 | 291,051 | 72 |
| Jasmine Telecom Systems Co., Ltd. | 100 | 100 | 99,999 | 112,506 | - | 100 | 100 | 99,999 | 49,993 | 359 |
| Jasmine Energy Co., Ltd. | 117 | 90 | 105,030 | 80,445 | - | 200 | 90 | 180,000 | 155,146 | 13 |
| Mobile Communication Services | | | | | | | | | | |
| Co., Ltd. | 100 | 70 | 100,000 | 100,483 | - | 25 | 70 | 25,000 | 24,721 | - |
| Smart Highway Co., Ltd. | 16 | 100 | 15,500 | 15,387 | - | - | 100 | - | - | - |
| <u>Investments in associated companies :</u> | | | | | | | | | | |
| Thai Telephone & Telecommunication | | | | | | | | | | |
| Plc. | 11,250 | 22.58 | 4,263,888 | 1,895,288 | - | 11,250 | 22.9 | 4,339,003 | 1,770,245 | - |
| Premium Real Estate Co., Ltd. | 820 | 49 | 401,800 | 324,471 | - | 820 | 49 | 401,800 | 402,010 | - |
| Radiophone Co., Ltd. | 270 | 40 | 108,000 | - | - | 270 | 40 | 108,000 | - | - |
| Ericsson Thai Network Products | | | | | | | | | | |
| Co., Ltd. | 15 | 33.32 | 4,998 | 12,158 | 6 | 15 | 33.32 | 4,998 | 19,153 | - |
| Internet Knowledge Service Center | | | | | | | | | | |
| Co., Ltd. | 33 | 25 | 31,250 | 37,879 | - | 33 | 25 | 31,250 | 32,832 | - |
| Telecom KSC Co., Ltd. | 0.3 | 40 | 100 | 94 | - | 0.3 | 40 | 100 | 93 | - |
| <u>Investments in related companies :</u> | | | | | | | | | | |
| Others | | | <u>1,600</u> | <u>1,600</u> | <u>-</u> | | | <u>1,600</u> | <u>1,600</u> | <u>-</u> |
| | | | <u>10,208,538</u> | <u>8,575,013</u> | <u>921</u> | | | <u>10,276,663</u> | <u>10,182,724</u> | <u>942</u> |

Exchange rates used for the translation of paid-up capital of overseas investments are as follows :-

| | | | <u>1998</u> | <u>1997</u> |
|-------|------------------|---|-------------|-------------|
| | | | BAHT | BAHT |
| 1,000 | Indonesian Rp. | = | 4.8918 | 9.0536 |
| 1 | Indian Rs. | = | 0.9102 | 1.2323 |
| 1 | Philippines Peso | = | 0.9504 | 1.1574 |
| 1 | USD | = | 36.89 | 46.9496 |

Share of profit or loss from investments in associated companies for the year has been recognised on the basis of audited financial statements of those companies, or the latest unaudited accounts as prepared by the management of those companies in the case where the audited financial statements are not available.

NOTE 9 - LOAN TO RELATED PARTY

This represents a subordinated loan granted to Thai Telephone & Telecommunication Public Company Limited and carries interest rate of MLR + 0.5 percent per annum, semi-annually compounded. The loan will be repayable, together with interest thereof, in the year 2011.

NOTE 10 - OTHER INVESTMENTS

These include a subsidiary company's deposit with an overseas financial institution totaling USD 13.6 million, which is subject to withdrawal restrictions in accordance with the conditions for the issuance of senior secured notes of a subsidiary company. They also included the subsidiary company's negotiable certificates of deposit of Krung Thai Bank Public Company Limited amounting to Baht 13.8 million, carrying interest at the market rate and due for redemption in the year 2002.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

| | <u>CONSOLIDATED</u> | | <u>THE COMPANY ONLY</u> | |
|--|----------------------|----------------------|-------------------------|---------------------|
| | <u>1998</u> | <u>1997</u> | <u>1998</u> | <u>1997</u> |
| | BAHT | BAHT | BAHT | BAHT |
| Land | 30,870,950 | 30,870,950 | 28,870,950 | 28,870,950 |
| Office building, leasehold right and improvements | 598,870,349 | 153,780,403 | 538,703,497 | 99,148,305 |
| Furniture, fixtures and office equipment | 159,187,419 | 153,640,291 | 41,327,590 | 40,501,062 |
| Tools, machinery and equipment | 38,223,369 | 34,174,693 | 35,856,230 | 24,163,691 |
| Motor vehicles | 16,495,221 | 77,438,092 | 2,993,497 | 20,192,475 |
| Vessels | 28,695,667 | 28,695,667 | - | - |
| Equipment for the rural telephone project | 4,027,948,277 | 2,011,801,376 | - | - |
| Satellite transmission equipment installed for customers | 311,178,821 | 300,839,434 | - | - |
| Building in progress | 17,936,234 | - | - | - |
| Construction in progress - Equipment for the rural telephone project and satellite transmission equipment installed for customers | 32,429,763 | 1,117,884,006 | - | - |
| Other construction in progress | <u>6,449,000</u> | <u>1,400,000</u> | <u>1,449,000</u> | <u>1,400,000</u> |
| Total cost | 5,268,285,070 | 3,910,524,912 | 649,200,764 | 214,276,483 |
| Less : Accumulated depreciation | <u>(921,005,230)</u> | <u>(478,484,602)</u> | <u>(87,201,593)</u> | <u>(72,742,655)</u> |
| Net book value | <u>4,347,279,840</u> | <u>3,432,040,310</u> | <u>561,999,171</u> | <u>141,533,828</u> |
| Depreciation for the year | <u>550,806,818</u> | <u>225,540,295</u> | <u>27,134,087</u> | <u>17,780,560</u> |

The subsidiary company has pledged its vessels to secure senior secured notes as referred to in Note 15.3 to the consolidated financial statements.

During 1997, the subsidiary company capitalised an exchange loss of approximately Baht 300 million as a part of the rural telephone project cost, of which Baht 11 million being the loss from the change of foreign exchange system.

NOTE 12 - ADVANCE FOR INVESTMENT PROJECTS

These included advance payments totaling Baht 157 million for IPP (Independent Power Producer) projects which have now been aborted. A provision of Baht 47 million has been made by the Company for possible decline in the value of the land.

NOTE 13 - DEFERRED PROJECT COST

| | <u>CONSOLIDATED</u> | |
|--|------------------------|------------------------|
| | <u>1998</u> | <u>1997</u> |
| | BAHT | BAHT |
| Submarine optical fibre cable project cost | 5,184,562,312 | 5,263,768,311 |
| Satellite transmission system project cost | 989,284,734 | 814,071,048 |
| Project under development | | |
| - Base station for cellular | | |
| satellite mobile phone system | <u>440,662,559</u> | <u>324,829,270</u> |
| Total | 6,614,509,605 | 6,402,668,629 |
| Less : Accumulated amortisation | <u>(1,463,820,677)</u> | <u>(1,130,178,428)</u> |
| Deferred project costs - net | <u>5,150,688,928</u> | <u>5,272,490,201</u> |
| Amortisation for the year | <u>333,642,249</u> | <u>273,573,450</u> |

The submarine optical fiber cable project costs represent costs incurred under the joint investment contract dated 4th October, 1991 with the Telephone Organization of Thailand. Under the terms of the contract, the ownership of the equipment has reverted to the TOT and in return the subsidiary companies is entitled to a share of revenue earned from the project over a period of 14 and 20 years as from the date of the agreements.

The satellite transmission system project costs represents costs incurred under the joint investment contract date 27th June, 1990, 20th June, 1991 and 9th September, 1996 with the Telephone Organization of Thailand for the Time Division Multiple Access project, Integrated Satellite Business Network project and the Rural Telephone project. Under the terms of the contract, the subsidiary companies is entitled to a share of revenue earned from the project over a period of 9 to 15 years as from the service commence date.

NOTE 14 - DEFERRED CHARGES

| | CONSOLIDATED | | THE COMPANY ONLY | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 1998 | 1997 | 1998 | 1997 |
| | BAHT | BAHT | BAHT | BAHT |
| Underwriting fees and expenses relating to share capital increase | 181,735,857 | 181,735,857 | 163,536,838 | 163,536,838 |
| Pre-operating expenses | 49,170,413 | 49,508,684 | - | - |
| Fees and expenses relating to long-term borrowings | <u>169,875,010</u> | <u>170,004,275</u> | <u>9,861,200</u> | <u>9,861,200</u> |
| Total | 400,781,280 | 401,248,816 | 173,398,038 | 173,398,038 |
| Less : Accumulated amortisation | <u>(235,622,662)</u> | <u>(175,249,399)</u> | <u>(155,243,547)</u> | <u>(121,767,519)</u> |
| Deferred charges - net | <u>165,158,618</u> | <u>225,999,417</u> | <u>18,154,491</u> | <u>51,630,519</u> |
| Amortisation for the year | <u>60,711,532</u> | <u>57,544,268</u> | <u>33,476,028</u> | <u>34,026,270</u> |

NOTE 15 - LONG-TERM LIABILITIES

Long-term liabilities consisted of the following items :-

| | <u>CONSOLIDATED</u> | | <u>THE COMPANY ONLY</u> | | | |
|------|--|-------------------------------|-------------------------|---------------|---|---|
| | <u>1998</u> | <u>1997</u> | <u>1998</u> | <u>1997</u> | | |
| | BAHT | BAHT | BAHT | BAHT | | |
| 15.1 | USD 80 million loan, at the interest rate of LIBOR + 0.75% per annum, repayable within 1999 | | | | | |
| | 2,951,200,000 | 3,804,480,000 | - | - | | |
| 15.2 | Yen 9,500 million loan, at the interest rate of LIBOR + 0.75% to LIBOR + 0.875% per annum, repayable within 2001 | | | | | |
| | 3,044,427,000 | 3,790,985,926 | 3,044,427,000 | 3,790,985,926 | | |
| 15.3 | USD 180 million, 8.483% senior secured notes due 2011, repayable semi-annually as from 1997 to 2011 (outstanding balance as at 31st December, 1998 amounted to approximately USD 169 million) and secured by | | | | | |
| | a) all rights and benefits pertaining to concession agreements of its subsidiaries | | | | | |
| | b) the subsidiary company's deposit (see Note 10) | | | | | |
| | c) a pledge of ordinary shares held in its subsidiary company | | | | | |
| | d) a pledge of the vessels owned by its subsidiary (see Note 11) | | | | | |
| | e) | a guarantee of the subsidiary | 4,738,155,468 | 4,421,876,025 | - | - |

| | <u>CONSOLIDATED</u> | | <u>THE COMPANY ONLY</u> | | |
|------|---|------------------------|-------------------------|----------------------|----------------------|
| | <u>1998</u> | <u>1997</u> | <u>1998</u> | <u>1997</u> | |
| | BAHT | BAHT | BAHT | BAHT | |
| 15.4 | Baht loan, at the interest rate of MLR + 1% per annum, repayable quarterly as from 1998 to 2002 | 880,000,000 | 1,100,000,000 | - | - |
| 15.5 | Others | <u>1,983,719</u> | <u>5,214,644</u> | - | - |
| | Total | 11,615,766,187 | 13,122,556,595 | 3,044,427,000 | 3,790,985,926 |
| | Less : Current portion | <u>(3,392,600,287)</u> | <u>(411,740,303)</u> | - | - |
| | Long-term liabilities - net of current portion | <u>8,223,165,900</u> | <u>12,710,816,292</u> | <u>3,044,427,000</u> | <u>3,790,985,926</u> |

To hedge against foreign exchange risk, the Company and some of its subsidiaries have entered into foreign exchange contracts as follows :-

(a) Loan as stated in Note 15.2

The Company has entered into foreign exchange contracts which effectively swapped the original loan to a loan denominated in a basket of currencies as follows: USD 52.8 million, Yen 3,125 million and DEM 5.1 million.

On 14th September, 1998, the Company has terminated the above-mentioned contract with its counterparty. In terminating such contract, the Company has paid approximately USD 8.23 million (Baht 325 million) which was shown as loss on exchange in the statements of earnings.

(b) Loan as stated in Note 15.3

The Company and some of its subsidiaries have entered into forward exchange contracts to buy from the counterparties USD 180 million (outstanding balance as at 31st December, 1998 amounted to approximately USD 126.6 million), which is due for delivery on a semi-annual basis at the amount of approximately USD 3.6 - 8.7 million as from 1997 through 2011. The details of the said contracts are summarized as follows :-

- Forward exchange contract to buy USD 45 million at a strike price of Baht 24.95 per USD 1, under which the Company and its subsidiaries are obliged to pay a premium to the counterparty at the rate as specified in the agreement.

However, subsequently on 15th January, 1998 the above-mentioned contract has been amended whereby the Company and its subsidiaries agree to sell to the counterparty the US dollars in the same amount as required under the original forward contract at a strike price of Baht 50 per USD 1 and the Company and its subsidiaries shall receive a premium from the counterparty at the rate of 4.9 percent of the outstanding commitment. On 23rd July, 1998 and 3rd August, 1998, the Company and some of its subsidiaries has terminated the above-mentioned contract with its counterparty. In terminating such contract, the Company and its subsidiaries has received approximately Baht 326 million which was shown as a deduction item against loss on exchange in the statements of earnings.

- Forward exchange contracts to buy USD 135 million (outstanding balance as at 31st December, 1998 amounted to approximately USD 126.6 million) at an average strike price of Baht 25.12 per USD 1, under which the Company and its subsidiaries are obliged to pay a premium to the counterparty at the rate as specified in the agreement.
- (c) In addition, the Company and some of its subsidiaries have entered into a number of forward exchange contracts to hedge against their short-term loans, business transactions and commitments as follows :-
- Forward exchange contract to buy USD 43.9 million at the strike price ranging from Baht 43.10 to 56.31 per USD 1.
 - Forward exchange contract to buy DEM 0.2 million at strike price ranging from Baht 23.95 to 24.34 per DEM 1.
 - Forward exchange contract to buy FRF 25.4 million at strike price ranging from Baht 7.28 to 7.99 per FRF 1.
 - Forward exchange contract to buy SEK 1.9 million at strike price ranging from Baht 5.23 to 5.78 per SEK 1.

- (d) Foreign currency loans as stated in Note 15.2 and 15.4 to the consolidated financial statements are due for repayment as follows :-

| <u>Year</u> | <u>USD Million</u> | <u>Yen Million</u> |
|--------------|--------------------|--------------------|
| 1999 | 8 | - |
| 2000 | 8 | - |
| 2001 | 10 | 9,500 |
| 2002 | 11 | - |
| 2003 | 13 | - |
| 2004 onwards | <u>119</u> | <u>-</u> |
| | <u>169</u> | <u>9,500</u> |

NOTE 16 - TRANSLATION ADJUSTMENTS

In prior years, the Company recorded investments in overseas subsidiary and associated companies using the historical exchange rate but during the year, the Company recorded such investments using the closing exchange rate to better reflect the current value of the investments. For comparative purposes, the Company has restated the value of investments as at 31st December, 1997 with no effect on previously reported net earnings.

NOTE 17 - STATUTORY RESERVE

According to the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any) until the reserve reaches 10 percent of the registered share capital.

NOTE 18 - DIRECTORS' REMUNERATION

Directors' remuneration represents the expenses paid to the Company directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to executive directors.

NOTE 19 - CORPORATE INCOME TAX

Corporate income tax is calculated on the earnings of the Company and its subsidiaries after adding back certain disallowed expenses and after deducting tax loss brought forward from prior years, unrealised gains on forward exchange contracts which have been made with non-bank financial institutions in accordance with the rules as prescribed by the Revenue Department, and share of profit in the subsidiary and associated companies.

NOTE 20 - EXTRAORDINARY ITEM

This represents exchange gains and losses arising from the change of foreign exchange system in Thailand. The amount, which has been charged against 1997 earnings after deducting related corporate income tax, consists of the following items :-

| | <u>CONSOLIDATED</u> | <u>THE COMPANY ONLY</u> |
|--|------------------------|-------------------------|
| | BAHT | BAHT |
| Realised exchange gains | 512,965,169 | 361,186,152 |
| Unrealised exchange gains from translation of foreign currency under forward exchange contracts | 3,331,732,131 | 494,915,307 |
| Unrealised exchange loss | (6,353,894,213) | (2,119,665,151) |
| Share of extraordinary exchange loss of the subsidiary companies | - | (718,425,158) |
| Share of extraordinary exchange loss of the associated company | <u>(1,833,615,703)</u> | <u>(1,833,615,703)</u> |
| Total | (4,342,812,616) | (3,815,604,553) |
| Add : Related corporate income tax | <u>202,723,200</u> | <u>-</u> |
| Net of income tax | <u>(4,140,089,416)</u> | <u>(3,815,604,553)</u> |

NOTE 21 - PRIOR YEAR'S ADJUSTMENT

This represents an exchange loss incurred by an overseas associated company, which had previously reported it as an expense item in its unaudited financial statements (which were used for the preparation of the 1997 consolidated financial statements). The loss was subsequently treated as a part of the assets in the audited financial statements of the associated company, thereby reducing the operating loss for the year 1997 of that company.

NOTE 22 - STATEMENTS OF CASH FLOWS

For the purpose of the statements of cash flows, cash and cash equivalents include cash in hand and at banks and short-term investments with an original maturity of 3 months or less and without commitment.

Cash and cash equivalents as reflected in the statements of cash flows consist of the following items :-

| | <u>CONSOLIDATED</u> | | <u>THE COMPANY ONLY</u> | |
|----------------------------------|---------------------|--------------------|-------------------------|-------------------|
| | <u>1998</u> | <u>1997</u> | <u>1998</u> | <u>1997</u> |
| | BAHT | BAHT | BAHT | BAHT |
| Cash in hand and at banks | 821,882,343 | 415,168,498 | 164,154,606 | 35,936,600 |
| Short-term investments | <u>124,322,863</u> | <u>300,000</u> | <u>1,000,000</u> | <u>-</u> |
| Total | 946,205,206 | 415,468,498 | 165,154,606 | 35,936,600 |
| Less : Cash in hand and at Banks | | | | |
| (pledged) | (24,085,028) | - | (24,085,028) | - |
| Short-term investments | | | | |
| (pledged) | <u>(45,885,198)</u> | <u>(300,000)</u> | <u>(1,000,000)</u> | <u>-</u> |
| Cash and cash equivalents | <u>876,234,980</u> | <u>415,168,498</u> | <u>140,069,578</u> | <u>35,936,600</u> |

NOTE 23 - COMMITMENTS AND CONTINGENT LIABILITIES

As at 31st December, 1998, there were outstanding commitments and contingent liabilities as follows

:-

23.1 The Company acts as a guarantor against credit facilities of an associated company incorporated in Indonesia to the extent of USD 25 million. As at 31st December, 1998, the associated company had a capital deficit of approximately USD 17 million. As the result, the Company has made a provision of Baht 286 million or equivalent to USD 8 million against possible loss that may arise from the guarantee on the basis that investee company will continue its operation as a going concern. The amount provided has been shown under the caption of "Provision for loss from guarantee to associated companies" in the balance sheets.

Moreover, the Company acts as a guarantor of an associated company which is in the process of dissolution and liquidation procedure. The Company has made a provision of Baht 119 million against possible loss that may arise from the guarantee, which has been shown under the caption of "Provision for loss from guarantee to associated companies" in the balance sheets.

23.2 The Company acts as a guarantor against credit facilities of the subsidiaries and associated companies totaling Baht 2,724 million and USD 120 million.

- 23.3 The Company and its subsidiary companies had outstanding commitments of approximately Baht 1,839.4 million, INR 1,580.2 million in respect of performance bonds and bid bonds issued by the banks and financial institutions on behalf of the Company and its subsidiary companies (the Company only : Baht 697.7 million and INR 1,580.2 million).
- 23.4 Subsidiary companies had outstanding commitments of approximately Baht 98.5 million in respect of lease agreements for motor vehicles, office space and related services.
- 23.5 One subsidiary company had an outstanding commitment of approximately USD 6.4 million in connection with the procurement of gateway station equipment for cellular satellite mobile phone system project.
- 23.6 One subsidiary company had an outstanding commitment of approximately USD 9.7 million in connection with production and design of satellite-based cellular mobile phones for sales to mobile phone users.
- 23.7 Subsidiary companies had outstanding commitments to purchase goods of approximately USD 0.5 million and Baht 258.8 million.
- 23.8 One subsidiary company had an outstanding commitment of approximately USD 0.7 million in respect of repair service agreement.
- 23.9 One subsidiary company had a commitment to sell a portion of its investment in an overseas associated company (the carrying value of such investment to at the equity method amounted to USD 26.5 million). The Company expects to received proceeds from the sale of approximately of USD 40 - 50 million within 1999.

NOTE 24 - PROVIDENT FUND

The Company and its subsidiary companies have jointly established a provident fund for their employees, which has been approved by the Ministry of Finance in accordance with the Provident Fund Act B.E. 2530. The fund is contributed by both employees and the Company and its subsidiaries. The fund has been managed by Bangkok Bank Public Company Limited as from 1st August, 1997 (previously it was managed by "Dhana Siam Finance and Securities Public Company Limited"). The Company, its subsidiaries and their employees have temporarily suspended the contributions to the provident fund since 1st January, 1998.

NOTE 25 - FINANCIAL INFORMATION BY SEGMENT

The operations of the Company and its subsidiaries involve a single business segment i.e. telecommunications business, which is carried on virtually in the single geographic area in Thailand. As a result, virtually all of the revenues, operating profits and assets as reflected in the financial statements pertain to the aforementioned business and geographic area.

NOTE 26 - PRESENTATION

The presentation of the financial statements has been made in compliance with the Ministerial regulation No. 7 date 25th October, 1996 as empowered under the Public Company Limited Act.

NOTE 27 - APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's director.

NOTE 28 - IMPACT OF YEAR 2000 (UNAUDITED)

The Company and its subsidiaries has completed an assessment of the impact of the so-call Year 2000 issue that might have on its existing computer systems, both hardware and software. According to the assessment made so far, the Company and its subsidiaries may need to upgrade, modify or replace some portions of its hardware and software in order for them to function properly with respect to dates in the year 2000 and thereafter. Preliminary action plans to remediate the computer systems have been developed by the Company and its subsidiaries. The total cost to implement the action plans is estimated by the management at Baht 12.5 million (The Company : 2.7 million Baht). The remediation project has already started and is scheduled for completion within 1999.

The estimated costs in implementing these Year 2000 action plans and the date on which the Company and its subsidiaries believes they will be completed are based on management's estimates, which were derived from utilizing numerous assumptions of future events; and hence there can be no guarantee that these estimates will be achieved and the eventual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, and similar uncertainties.

In addition, although the Company and its subsidiaries may be Year 2000 compliant, they still have the risk that other companies with which they have business dealing may not be Year 2000 compliant. However, the Company and its subsidiaries expect that there will be no material effect to the Company's business operations.