

JASMINE INTERNATIONAL PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARIES
REPORT AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2007 AND 2006

Review Report of Independent Auditor

To the Shareholders of Jasmine International Public Company Limited

I have reviewed the accompanying consolidated balance sheet of Jasmine International Public Company Limited and its subsidiaries as at 31 March 2007, and the related consolidated statements of income, changes in shareholders' equity and, cash flows for the three-month period ended 31 March 2007, and the separate financial statements of Jasmine International Public Company Limited for the same period. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to issue a report on these financial statements based on my review. I did not review the interim financial statements of TT&T Public Company Limited, an associated company, whose financial statements were included in the consolidated financial statements. The consolidated balance sheet of the Company and its subsidiaries as at 31 March 2007 included investment in the associated company accounted for under the equity method totaling Baht 3,422 million and the related consolidated statement of income for the same period included share of loss from the associated company totaling Baht 140 million. The interim financial statements of the associated company were reviewed by another auditor, whose report dated 9 May 2007, has been furnished to me. My report herein, insofar as it relates to the amounts included for the associated company in the consolidated financial statements is based solely on the report of that auditor.

I conducted my review in accordance with the auditing standard applicable to review engagements. This standard requires that I plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. I have not performed an audit and, accordingly, I do not express an audit opinion.

Based on my review and the review report of another auditor, nothing has come to my attention that causes me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Without qualifying the review conclusions in respect of the above financial statements, I draw attention to the following matters:

1. As described in Note 3 to the financial statements, whereby on 7 August 2003, the Central Bankruptcy Court approved the business rehabilitation plan of the Company and subsequently, on 14 September 2006, the Court issued an order to terminate the business rehabilitation of the Company. However, certain creditors lodged objections to certain issues with the Supreme Court, and the issues are being considered by the Supreme Court. The Company believes that these issues will not have any impact on the financial statements of the Company, while Jasmine International Overseas Company Limited, a subsidiary company, is still operating under a business rehabilitation plan, which stipulates certain conditions with which the subsidiary must comply.
2. As described in Note 9.2 to the financial statements, whereby as at 31 March 2007 the investments of the Company and its subsidiaries in TT&T Public Company Limited., an associated company, have total book values of Baht 3,422 million, of which Baht 3,135 million is attributable to the Company, and total market values of Baht 987 million, of which Baht 826 million is attributable to the Company. No provision for the difference has been set aside against the investments since the management believes that present value of the benefits to be derived from the investments in the future exceeds the above carrying values. Nevertheless, there are uncertainties in respect of the matters and disputes as described in Note 9.3 to the financial statements, which may have a material impact on the realisable value of such investments.
3. The auditor of the associated company draw attention to the interim financial statements, under her report dated 9 May 2007, of the associated company and its subsidiaries in respect of the following matters, as described in Note 9.3 to the financial statements.
 - a) The uncertainties as to the going concern of the associated company in respect of the success of future operations and its ability to generate sufficient cash flows from operations to meet the conditions of the debt restructuring agreement.
 - b) The associated company earned income from other value added services, for which some of the sharing rates are under negotiation and/or arrangement with TOT Public Company Limited.
 - c) The associated company has ongoing disputes with TOT Public Company Limited, of which the outcome cannot presently be determined.

The consolidated financial statements of Jasmine International Public Company Limited and its subsidiaries, and the separate financial statements of Jasmine International Public Company Limited for the year ended 31 December 2006 were audited in accordance with generally accepted auditing standards by another auditor of our firm who expressed an unqualified opinion on those statements, under her report dated 28 February 2007, based on her audit and the report of another auditor but drew attention as described in Note 3 and Note 9.2 to the financial statements. In addition the auditor of the associated company drew attention as described in Note 9.3 to the financial statements. The consolidated and separate balance sheets as at 31 December 2006, as presented herein for comparative purposes, formed an integral part of the financial statements which that auditor audited and reported on. (The Company has restated the separate financial statements to reflect the change in accounting policy for recording investments in subsidiary and associated companies from the equity method to the cost method as described in Note 2 to the financial statements. In my opinion, the adjustments made for the preparation of such statements are appropriate and have been properly applied.)

The consolidated statements of income, changes in shareholders' equity and cash flows for the three-month period ended 31 March 2006 of Jasmine International Public Company Limited and its subsidiaries and the separate financial statements of Jasmine International Public Company Limited, as presented herein for comparative purposes, formed an integral part of the interim financial statements which were reviewed by the aforementioned auditor who reported, under her report dated 10 May 2006, that nothing had come to her attention that caused her to believe that those financial statements were not presented fairly, in all material respects, in accordance with generally accepted accounting principles, but drew attention to the success of the implementation of the conditions of the rehabilitation plans of the Company and the subsidiary. (The Company has restated the separate financial statements to reflect the change in accounting policy for recording investments in subsidiary and associated companies from the equity method to the cost method as described in Note 2 to the financial statements. In my opinion, the adjustments made for the preparation of such statements are appropriate and have been properly applied.)

Supachai Phanyawattano

Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited

Bangkok: 15 May 2007

JASMINE INTERNATIONAL PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARIES
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2007 AND 2006

1. GENERAL INFORMATION

1.1 Corporate information

Jasmine International Public Company Limited (“The Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the telecommunication businesses and its registered address is 200, 29th – 30th Floor, Moo 4, Chaengwatana Road, Pakkred, Nonthaburi.

1.2 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 41 “Interim financial statements”, with the Company choosing to present condensed interim financial statements. However, the Company has presented the balance sheets, and the statements of income, changes in shareholders’ equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events, and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

1.3 Basis of consolidation

These consolidated financial statements include the financial statements of Jasmine International Public Company Limited and its subsidiaries and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2006, with no structural changes related to subsidiaries occurring during the current period except the following:

During the first quarter of the current year, T.J.P. Engineering Co., Ltd., a subsidiary company, purchased 60 million shares in Jasmine Telecom Systems Plc. from an unrelated party for a total of Baht 180 million. As a result, the group companies’ combined shareholdings in the aforementioned company changed from 57% to 66%.

1.4 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2006, except for the change in the accounting policy for recording investments in subsidiary and associated companies in the separate financial statements from the equity method to the cost method, as described in Note 2 to the financial statements and the current period has additional accounting policies as follow:

Treasury shares

Treasury shares are stated at cost and presented as a deduction from shareholders' equity. Gains on disposal of treasury shares are determined by reference to the carrying amount and are presented as premium on treasury shares. Losses on disposal of treasury shares are determined by reference to the carrying amount and are presented in premium on treasury shares and retained earnings, consecutively.

2. CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES IN THE SEPARATE FINANCIAL STATEMENTS

During the current period, the Company changed its accounting policy for recording investments in subsidiary and associated companies in the separate financial statements from the equity method to the cost method, in compliance with Notification No. 26/2549 regarding Accounting Standard No. 44 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" (Amendment No.1), issued by the Federation of Accounting Professions, under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method rather than the equity method.

In this regard, the Company has restated the previous period's separate financial statements as though the investments in the subsidiary and associated companies had originally been recorded using the cost method. The change has the effect of increasing net income in the separate income statements under the cost method for the three-month period ended 31 March 2007 by Baht 1,804 million (Baht 0.22 per share) and decreasing in net income for the three-month period ended 31 March 2006 by Baht 451 million (Baht 0.05 per share) from the equity method. The cumulative effect of the change in accounting policy has been presented under the heading of "Cumulative effect of the change in accounting policy for investments in subsidiary and associated companies" in the separate statements of changes in shareholders' equity.

Such change in accounting policy affects only the accounts related to investments in subsidiary and associated companies in the Company's separate financial statements, with no effect to the consolidated financial statements.

3. REHABILITATION PLANS

3.1 The Business Rehabilitation Plan of the Company

The Central Bankruptcy Court approved the business rehabilitation plan of the Company on 7 August 2003 and appointed Chaengwatana Planner Co., Ltd. as the plan administrator. Subsequently on 14 September 2006, the Court issued an order terminating the business rehabilitation of the Company.

However, certain creditors of the Company lodged objections to some issues with the Supreme Court, and the issues are being considered by Supreme Court. The Company believes that these issues will not have any impact on the financial statements of the Company.

3.2 The Business Rehabilitation Plan of Jasmine International Overseas Co., Ltd., a subsidiary company

The Central Bankruptcy Court approved the subsidiary's business rehabilitation plan on 30 September 2003 and appointed Pakkret Planner Co., Ltd. as plan administrator. The subsidiary's business rehabilitation plan stipulates certain conditions with which the subsidiary must comply. The planner of the subsidiary has now implemented the major steps of the rehabilitation plan and is at the stage of requesting permission to exit from business rehabilitation.

The Company and the subsidiary recorded the accounting transactions for the debt restructuring under the rehabilitation plan in 2003 and have presented the outstanding debt after restructuring under the caption of "Long-term debts under rehabilitation plan", as described in Note 6 and Note 18 to the financial statements.

4. CURRENT INVESTMENTS - DEPOSITS WITH FINANCIAL INSTITUTIONS

Included in the balances of current investments as at 31 March 2007 are saving and fixed deposits of the Company and its subsidiaries amounting to approximately Baht 16 million (31 December 2006 : Baht 47 million) and of the Company only amounting to approximately Baht 6 million (31 December 2006 : Baht 21 million) which have been pledged with the financial institutions to secure credit facilities.

5. TRADE ACCOUNTS RECEIVABLE - NET

The outstanding balances of trade accounts receivable as at 31 March 2007 and 31 December 2006 are aged, based on due date, as follows:

(Unit: Million Baht)

Age of receivables	Consolidated financial statements		Separate financial statements	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006
<u>Related parties</u>				
Not yet due	168	312	-	-
Past due				
Up to 3 months	564	389	-	-
Longer than 3 - 6 months	161	9	-	-
Longer than 6 - 12 months	3	7	-	-
Longer than 12 months	-	-	-	-
Total	896	717	-	-
Less: Allowance for doubtful accounts	-	-	-	-
Net	896	717	-	-
<u>Unrelated parties</u>				
Not yet due	200	370	-	-
Past due				
Up to 3 months	559	764	-	158
Longer than 3 - 6 months	314	116	158	-
Longer than 6 - 12 months	27	37	-	-
Longer than 12 months	105	92	58	60
Total	1,205	1,379	216	218
Less: Allowance for doubtful accounts	(84)	(87)	(58)	(60)
Net	1,121	1,292	158	158
Trade accounts receivable - net	2,017	2,009	158	158

Included in trade accounts receivable from unrelated parties over the age thresholds of 3 months as at 31 March 2007 and 31 December 2006, are amounts receivable from companies majority-owned by the government as follows:

(Unit: Million Baht)

Age of receivables	Consolidated financial statements		Separate financial statements	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006
Longer than 3 - 6 months	215	110	158	-
Longer than 6 - 12 months	18	19	-	-
Longer than 12 months	6	6	-	-
Total	239	135	158	-

The Company and its subsidiaries have assigned their rights over collection of major trade accounts receivable to banks, to secure credit facilities obtained from those banks.

6. RELATED PARTY TRANSACTIONS

During the periods, the Company and its subsidiaries had significant business transactions with related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions for the three-month periods ended 31 March 2007 and 2006.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer Pricing Policy
	2007	2006	2007	2006	
<u>Transactions with subsidiary companies</u> (eliminated from the consolidated financial statements)					
Management fee income	-	-	45	22	Contract price
Rental and other services income	-	-	8	8	Contract price or normal business price charged to other customers
Interest expenses	-	-	2	-	MLR-2
Other expenses	-	-	6	4	Contract price
<u>Transactions with associated companies</u>					
Sales and services income	374	277	-	-	Contract price or normal business price charged to other customers or bidding price
Rental and other services income	1	-	-	-	Contract price or normal business price charged to other customers
Other income	2	-	-	-	Contract price
Cost of sales and services	24	13	-	-	Contract price
Management fee expenses	27	-	-	-	Contract price
<u>Transactions with related companies</u>					
Rental and other services income	5	4	-	-	Contract price or normal business price

(Unit: Million Baht)

Consolidated financial statements		Separate financial statements		Transfer Pricing Policy charged to other customers
2007	2006	2007	2006	

The balances of the accounts as at 31 March 2007 and 31 December 2006 between the Company and those related companies are as follows:

	Consolidated financial statements		Separate financial statements	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006
<u>Trade accounts receivable - related parties</u>				
Associated companies				
TT&T Plc.	439	399	-	-
TT&T Subscriber Services Co., Ltd.	453	314	-	-
	<u>892</u>	<u>713</u>	<u>-</u>	<u>-</u>
Related companies				
Mono Generation Co., Ltd.	4	3	-	-
Others	-	1	-	-
	<u>4</u>	<u>4</u>	<u>-</u>	<u>-</u>
Total trade accounts receivable – related parties	<u>896</u>	<u>717</u>	<u>-</u>	<u>-</u>
<u>Amounts due from related parties</u>				
Subsidiary companies				
Jasmine Submarine Telecommunications Co., Ltd.	-	-	208	237
ACeS Regional Services Co., Ltd.	-	-	33	-
Thai Long Distance Telecommunications Co., Ltd.	-	-	43	43
Jasmine International Overseas Co., Ltd.	-	-	11	10
Acumen Co., Ltd.	-	-	11	8
Jasmine Internet Co., Ltd.	-	-	10	10
Siam Teltech Computer Co., Ltd.	-	-	1	1
	<u>-</u>	<u>-</u>	<u>317</u>	<u>309</u>
Associated companies				
TT&T Plc.	3	-	-	-
Premium Real Estate Co., Ltd.	1	1	1	1
	<u>4</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total amounts due from related parties	<u>4</u>	<u>1</u>	<u>318</u>	<u>310</u>
<u>Unbilled receivable - related party</u>				
Associated company				
TT&T Plc.	200	177	-	-
Total unbilled receivable - related party	<u>200</u>	<u>177</u>	<u>-</u>	<u>-</u>
<u>Dividend receivable from subsidiary company</u>				
Subsidiary company				

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	<u>31 March 2007</u>	<u>31 December 2006</u>	<u>31 March 2007</u>	<u>31 December 2006</u>
Acumen Co., Ltd.	-	-	1,400	-
Total dividend receivable from subsidiary company	<u>-</u>	<u>-</u>	<u>1,400</u>	<u>-</u>

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006
<u>Trade accounts payable - related parties</u>				
Subsidiary company				
Jasmine Telecom Systems Plc.	-	-	16	16
Associated companies				
TT&T Plc.	49	31	-	-
TT&T Subscriber Services Co., Ltd.	37	37	-	-
	86	68	-	-
Total trade accounts payable - related parties	86	68	16	16
<u>Amounts due to related parties</u>				
Subsidiary companies				
Mobile Communication Services Co., Ltd.	-	-	6	6
Acumen Co., Ltd.	-	-	5	3
Jasmine Submarine Telecommunications Co., Ltd.	-	-	2	1
Others	-	-	-	1
	-	-	13	11
Associated companies				
TT&T Plc.	106	72	-	-
Premium Real Estate Co., Ltd.	4	4	-	-
	110	76	-	-
Total amounts due to related parties	110	76	13	11
<u>Advances received from related party</u>				
Associated company				
TT&T Plc.	11	12	-	-
Total advances received from related party	11	12	-	-
<u>Long - term debts under rehabilitation plan from related parties</u>				
Subsidiary companies				
Acumen Co., Ltd.	-	-	555	555
Jasmine Submarine Telecommunications Co., Ltd.	-	-	269	269
Total	-	-	824	824
Less: Current portion	-	-	(100)	(94)
Total long - term debts under rehabilitation plan from related parties - net of current portion	-	-	724	730

During the three-month period end 31 March 2007, movements of long-term debts under rehabilitation plan from related parties were as follows:

(Unit: Million Baht)

	Separate financial statements			Balance as at 31 March 2007
	Balance as at 31 December 2006	During the period		
		Increase	Decrease	
<u>Long-term debts under rehabilitation plan from related parties</u>				
Subsidiary companies				
Acumen Co., Ltd.	555	-	-	555
Jasmine Submarine Telecommunications Co., Ltd.	269	-	-	269
	<u>824</u>	<u>-</u>	<u>-</u>	<u>824</u>

Directors and management's remuneration

During the three-month period ended 31 March 2007, the Company and its subsidiaries paid salaries, meeting allowances and gratuities to their directors and management totaling Baht 23 million and the Company only totaling Baht 4 million.

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 24.2 to the financial statements.

7. ALLOWANCE FOR DIMINUTION IN VALUE OF INVENTORIES

Movements in the allowance for diminution in value of inventories account during the three-month period ended 31 March 2007 are summarised below.

(Unit: Million Baht)

	Consolidated financial statements
Balance as at 31 December 2006	115
Add: Allowance made during the period	1
Balance as at 31 March 2007	<u>116</u>

8. RESTRICTED DEPOSITS WITH FINANCIAL INSTITUTIONS

These represent saving and fixed deposits which the Company and its subsidiaries pledged to secure credit facilities.

9. INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES - NET

Investments in subsidiary and associated companies represent investments in ordinary shares in the following subsidiary and associated companies.

(Unit: Million Baht)

Consolidated financial statements								
Paid-up capital		Shareholding percentage		Cost		Carrying amounts based on equity method		
31 March 2007	31 December 2006	31 March 2007	31 December 2006	31 March 2007	31 December 2006	31 March 2007	31 December 2006	
		(%)	(%)					
Investments in dissolved subsidiary companies								
Jasmine Energy Co., Ltd.	110	110	90	90	103	103	45	45
Jasmine Cable & Materials Co., Ltd.	6	6	100	100	6	6	6	6
Total investments in the dissolved subsidiary companies					109	109	51	51
Investments in associated companies								
TT&T Plc.	32,425	32,425	30	30	7,186	7,186	3,422	3,560
Internet Knowledge Service Center Co., Ltd.	50	50	38	38	49	49	8	16
Premium Real Estate Co., Ltd.	820	820	49	49	402	402	-	-
Palang Thai Kaowna Co., Ltd.	1	1	23	23	-	-	-	-
Khunka Palang Thai Co., Ltd.	1	1	23	23	-	-	-	-
Telecom KSC Co., Ltd.	0.3	0.3	40	40	-	-	-	-
Total investments in associated companies					7,637	7,637	3,430	3,576

(Unit: Million Baht)

Separate financial statements							
Paid-up capital		Shareholding percentage		Cost			
31 March 2007	31 December 2006	31 March 2007	31 December 2006	31 March 2007	31 December 2006		
		(%)	(%)				(Restated)
Investments in dissolved subsidiary companies							
Jasmine Energy Co., Ltd.	110	110	90	90	103	103	
Jasmine Cable & Materials Co., Ltd.	6	6	100	100	6	6	
					109	109	
Less: Allowance for diminution in value of investments					(58)	(58)	
Total investments in dissolved subsidiary companies – net					51	51	
Investments in subsidiary companies							
Jasmine Submarine Telecommunications Co., Ltd.	1,550	1,550	100	100	1,946	1,946	
Acumen Co., Ltd.	760	760	100	100	760	760	
T.J.P. Engineering Co., Ltd.	200	200	80	80	160	160	
Mobile Communication Services Co., Ltd.	100	100	70	70	70	70	
Jasmine Telecom Systems Plc.	701	701	57	57	100	100	
Compunet Corporation Limited	260	260	100	100	100	100	
Jasmine Smart Shop Co., Ltd.	110	110	100	100	110	110	
Jasmine Cyberworks Co., Ltd.	52	52	100	100	52	52	
Jasmine International Overseas Co., Ltd.	115	115	40	40	46	46	
Jasmine Internet Co., Ltd.	15	15	65	65	1	1	
Chaengwatana Planner Co., Ltd.	0.1	0.1	100	100	-	-	
					3,345	3,345	
Less: Allowance for diminution in value of investments					(351)	(351)	
Total investments in subsidiary companies – net					2,994	2,994	

(Unit: Million Baht)

	Separate financial statements					
	Paid-up capital		Shareholding percentage		Cost	
	31 March	31 December	31 March	31 December	31 March	31 December
	2007	2006	2007	2006	2007	2006
			(%)	(%)		(Restated)
Investments in associated companies						
TT&T Plc.	32,425	32,425	25	25	6,103	6,103
Internet Knowledge Service Center Co., Ltd.	50	50	38	38	49	49
Premium Real Estate Co., Ltd.	820	820	49	49	402	402
Palang Thai Kaowna Co., Ltd.	1	1	23	23	-	-
Khunka Palang Thai Co., Ltd.	1	1	23	23	-	-
Telecom KSC Co., Ltd.	0.3	0.3	40	40	-	-
					6,554	6,554
Less: Allowance for diminution in value of investments					(3,403)	(3,403)
Total investments in associated companies - net					3,151	3,151

9.1 The majority of the share certificates of the investments of the Company and Jasmine Telecom Systems Plc., a subsidiary company, have been pledged or delivered to a security agent as collateral to secure long-term debts under the rehabilitation plan, as described in Note 18 to the financial statements.

9.2 As at 31 March 2007, the investments of the Company and its subsidiaries in TT&T Plc., an associated company, have total book values of Baht 3,422 million, of which Baht 3,135 million is attributable to the Company and have total market values of Baht 987 million, of which Baht 826 million is attributable to the Company. No provision for the difference has been set aside against the investments since the management believes that present value of the benefits to be derived from them in the future exceeds the above carrying value.

9.3 The significant matters disclosed in financial statements of TT&T Plc. (TT&T), an associated company, for the three-month period ended 31 March 2007, are summarised as follows:

9.3.1 The associated company incurred operating loss of Baht 431 million for the three-month period ended 31 March 2007, the associated company and its subsidiaries incurred operating loss of Baht 440 million for the three-month period ended 31 March 2007. As at 31 March 2007, the associated company had current liabilities which exceeded current assets by Baht 1,333 million. The associated company and its subsidiaries had current liabilities which exceeded current assets by Baht 1,330 million. The main reason for the losses and the shortfall in working capital is a dramatic decrease in income from fixed-line telephones and public telephones which has not been covered by increases in income from value added services, telecommunication network services, and high speed internet

services. As a result, the associated company temporarily postponed the repayment of loan principal of Baht 303 million due on 29 December 2006 to creditors. Subsequently, as at 5 April 2007, the associated company made fully settlement of the outstanding principal as at 31 March 2007 to the creditors and interest payments have continued to be made on schedule. The associated company has implemented Cash Flow Monitoring Procedure in accordance with the debt restructuring agreement under which the associated company is responsible for presenting an operation budget to the Instructing Group for approval. The management of the associated company believes that the going concern basis of preparation of the financial statements is appropriate on the grounds that the associated company will be successful in increasing its main income, which is derived from the provision of basic telephone services and value added services, especially data communication and internet services, by focusing strongly on marketing, various strategies to add service users, and by reducing operating costs, including financial restructuring. Nevertheless, the situation remains uncertain and this may have an impact on the success of the associated company's future operations and ability to generate sufficient cash flows from operations to meet the conditions of the debt restructuring agreements. The ultimate outcome of this matter cannot presently be determined. The financial statements of the associated company reflect the management of the associated company's current assessments of the impact to date of the situation on the financial position of the associated company. Actual results could differ from the management of the associated company's current assessments and such differences could be material.

9.3.2 The associated company had the following outstanding commercial arbitration claim and certain disputes with TOT Plc. (TOT).

a) Change in status of the TOT

TT&T filed a lawsuit against TOT requesting the Central Administrative Court to order TOT to act in compliance with the Joint Undertaking Agreement Clause 37, stating that "In case of any change in the status of the TOT, all powers and authorities held by the TOT, including the power to stipulate the maintenance standards, shall not be transferred to any private agency to the extent that the private agency would have the power to supervise and control TT&T. In such event, all of the powers and authorities held by the TOT shall be vested in the Ministry of Transport". The Central Administrative Court judged that TT&T won the case. At present, TOT has made an appeal against the decision and the case is being considered by the Supreme Administrative Court.

- b) Reimbursement from TOT in bringing and/or allowing other persons to bring “Value added services under the Joint Operate and Joint Investment Agreement” onto TT&T’s fixed-line network.

TT&T submitted an arbitration claim with the Thai Arbitration Institute, the Alternative Dispute Resolution Office, and the Office of the Judiciary, in order to claim against TOT for the reimbursement in bringing and/or allowing other persons to bring special services onto TT&T fixed-line network accordingly to the Joint Operate and Joint Investment Agreement between TOT and TT&T. TT&T’s claim as of 31 March 2005 is of Baht 28,096 million including interest at a rate of MLR+1% on the aforementioned amount until payment is made in full. TT&T’s claim also requests payment from TOT for the access charge commencing from 1 April 2005 onwards until the expiry date of the Joint Operate and Joint Investment Agreement. Currently, the Arbitrator has been appointed and the disputes set out, and it is in the process of consideration and investigation.

- c) The reduction of tariff for domestic long-distance telephone service

TT&T submitted a claim to the Thai Arbitration Institute requesting TOT for compensation on its reduction of domestic long-distance fee as well as the reduction of revenue sharing from international calls from CAT for consideration with the amount of claim being Baht 754 million. Subsequently, TOT filed a defense and a counterclaim to the Thai Arbitration Institute in order to cancel the claim and requested TT&T to pay for the revenue loss from 1 July 2004 to 31 May 2005 amounting to Baht 457 million including interest and revenue to be derived from 1 June 2005 onwards. Currently, the Arbitrator has been appointed and the disputes set out, and it is in the process of consideration and investigation.

- d) Logo on public payphone booth

TOT submitted the case to the Thai Arbitration Institute demanding that TT&T affixes the TOT logo on public telephones and telephone booths, as well as compensates for all damages resulted from affixing TT&T logo on the payphones and booths, commencing from October 1997 to September 2005, totaling Baht 382 million, plus related interest of 7.5% per annum until full payment is made. The Executive Department of TT&T does not expect these issues to have any significant impacts on its financial statements. TT&T therefore, has not made any provision for those claims in its financial statements. In addition TT&T already had filed a defense and a counterclaim to the Thai Arbitration Institute. Subsequently, TOT filed defense of TT&T’s counterclaim. Currently, the Thai Arbitration Institute summoned both

parties to compromise with each other and requested them to report the progress to the Institute.

e) Equipment transfer

TOT sent a letter to TT&T, requesting of compensation for loss of benefit and the cost of damages caused by non-transfer of equipment for additional extension of the network of 122 telephone exchanges and non-transfer of the SDH equipment totaling Baht 162 million and Baht 3,263 million respectively. Since the Management of TT&T believed that after the transfer of property ownership, TT&T has a sole right to use, to occupy and to maintain as well as the sole right to seek interests in the property. TT&T has the duty to give all received revenues to TOT and in turn TOT shall allot to TT&T such revenues it receives. In the past, both companies had fully performed the aforementioned duties. The Management of TT&T believes that, on the basis of details provided, the claim made by TOT regarding this matter is unjustified and can be defended accordingly and no provision has been made in respect of this claim in these financial statements.

f) Building of DLC System

TOT submitted an arbitration claim with the Thai Arbitration Institute, the Alternative Dispute Resolution Office, and the Office of the Judiciary, in order to claim TT&T for the building of DLC System and TT&T's non-authorized use of telephone numbering in the Samutsakhorn Industrial Estate without the approval of TOT. TOT has claimed for damages of Baht 39.8 million covering the period from April 2003 to December 2005.

The Management of TT&T considers that the Joint Operate Agreement has acted fully under its rights, so there is no damage to be claimed by TOT. Therefore, no provision has been made with respect to this claim in its financial statements in this fiscal year and TT&T filed a defense against such claim to the Thai Arbitration Institute. Currently, the Thai Arbitration Institute summoned both parties to compromise with each other and requested them to report the progress to the Institute.

g) Income sharing of T-Pin, T-SMS, ADSL and T-Card services.

TOT submitted to the arbitrator the matter of TT&T's provision of services to T-Pin, T-SMS, ADSL and T-Card. TT&T is in the process of preparing a statement on this matter.

h) Revenues from long-distance telephone service at economic rate

During the first quarter of 2006, TT&T received correspondence from TOT regarding the Y-Tel 1234 service income. TT&T and TOT are in the process of providing clarification or finding a conclusion for the said matters.

9.3.3 TT&T earned income from other value added services, e.g. ADSL and Freephone 1800 service, etc., the rates of income sharing for which are under negotiation and/or arrangement with TOT. However, TT&T has recorded the income sharing at the rate initially agreed with TOT.

9.4 On 28 February 2007, a meeting of Board of Directors of Acumen Co., Ltd. (ACUMEN), a subsidiary company, passed a resolution to pay an interim dividend of Baht 184.21 per share, or a total of Baht 1,400 million, to the shareholders from the retained earnings as at 31 January 2007. Such interim dividend is to be paid in amounts and at times to be announced by the Company from time to time.

On 12 January 2007, a meeting of Board of Directors of ACUMEN passed a resolution to pay an interim dividend of Baht 52.63 per share, or a total of Baht 400 million, to the shareholders in respect of the 2006 income.

On 13 September 2006, ACUMEN and TT&T have entered into the agreement of undertaking prescribing that ACUMEN shall provide financial support to Triple T Broadband Co., Ltd. (TTT) during the time when TTT is a subsidiary and ACUMEN will allow the shareholders of TT&T to purchase the newly issued shares and/or the existing shares of TTT held by ACUMEN in order to adjust the shareholding proportion in TT&T on the date of the initial public offering of TTT or the date 3 year's period after the date of execution the agreement. In this regard, if a public offering of TTT shares is made, the purchase price of such shares shall be par value (Baht 10) plus a premium at the rate of 20% per year or the public offering price of the ordinary shares of TTT, whichever is lower. If the public offering does not occur, the purchase price shall be a fair price as assessed by an independent financial advisor approved by the Securities and Exchange Commission.

9.5 During the first quarter of the current year, T.J.P. Engineering Co., Ltd., a subsidiary company, purchased 60 million shares in Jasmine Telecom Systems Plc. from an unrelated party for a total of Baht 180 million. As a result, the group companies' combined shareholdings in the aforementioned company changed from 57% to 66%.

10. INVESTMENTS IN OTHER COMPANIES - NET

	Consolidated financial statements					
	31 March 2007			31 December 2006		
	Paid-up capital	Shareholding percentage	Investments	Paid-up capital	Shareholding percentage	Investments
		Percent	Million Baht		Percent	Million Baht
Other investments						
ACeS International Limited	305	9	868	305	9	868
	(Million USD)			(Million USD)		
Island Country Telecommunications Inc.	72	6	-	72	6	-
	(Million Philippine Peso)			(Million Philippine Peso)		
Others			26			26
			894			894
Less: Allowance for diminution in value of investments			(894)			(894)
Total other investments - net			-			-

11. PROPERTY, PLANT AND EQUIPMENT - NET

Movements of the property, plant and equipment account during the three-month period ended 31 March 2007 are summarised below.

	(Unit: Million Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 31 December 2006	3,468	3
Acquisitions during period - at cost	46	-
Transfers from inventories	2	-
Depreciation for the period	(113)	-
Allowance for impairment made during period	(6)	-
Net book value as at 31 March 2007	3,397	3

Equipment of a subsidiary company totaling approximately Baht 1,036 million used providing network services, has been pledged to secure equipment payables as described in Note 16 to the financial statements. Title to and ownership of the equipment will pass to the subsidiary when the subsidiary has made full payment of the contract price.

12. LEASEHOLD RIGHTS - NET

Movements of leasehold right account during the three-month period ended 31 March 2007 are summarised below.

	(Unit: Million Baht)
	Separate financial statements
Net book value as at 31 December 2006	299
Amortisation for the period	(4)
Net book value as at 31 March 2007	<u>295</u>

13. DEFERRED PROJECT COSTS - NET

Movements of deferred project costs account during the three-month period ended 31 March 2007 are summarised below.

	(Unit: Million Baht)
	Consolidated financial statements
Net book value as at 31 December 2006	1,675
Amortisation for the period	(87)
Net book value as at 31 March 2007	<u>1,588</u>

Deferred project costs totaling approximately Baht 1,587 million are cost under the submarine optical fibre cable network project of two subsidiaries. The subsidiaries transferred their rights over the collection of their share of revenues earned from the TOT Plc., under the above joint investment agreements for the submarine optical fibre cable network project, to secure long-term loan of a subsidiary company.

14. EXCESS OF COST OF INVESTMENTS OVER NET ASSETS VALUE OF SUBSIDIARY COMPANIES - NET

	(Unit: Million Baht)
	Consolidated financial statements
Net book value as at 31 December 2006	96
Investment during the period	17
Amortisation for the period	(6)
Net book value as at 31 March 2007	<u>107</u>

15. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

Bank overdrafts and short-term loans from financial institutions of the subsidiaries carry interest at rates of MLR to MOR+1 and are secured by the assignment of rights over collection of trade accounts receivable.

16. ACCOUNTS AND NOTES PAYABLE FOR EQUIPMENT

Jasmine Telecom Systems Plc., a subsidiary company, purchased equipment from two groups of companies : domestic and overseas. Under the purchase agreements, the subsidiary is obliged to make payment within 3 years. The outstanding balances of such transactions as at 31 March 2007, based on due dates, are as follows:

	(Unit: Million Baht)	
	<u>Consolidated financial statements</u>	
	<u>31 March 2007</u>	<u>31 December 2006</u>
Accounts and notes payable for equipment	989	1,014
Less: Deferred interest expenses	(83)	(52)
Total	906	962
Less: Current portion	(326)	(299)
Accounts and notes payable for equipment - net of current portion	<u>580</u>	<u>663</u>

The above outstanding balances of accounts and notes payable for equipment is secured by deposits with a financial institution, the pledge of equipment for providing telecommunication network services as described in Note 11 to the financial statements and the assignment of rights over collection from a related company, in accordance with the conditions stipulated in the agreements with accounts payable for equipment as described in Note 24.9 to the financial statements.

17. LONG-TERM LOANS

	(Unit: Million Baht)	
	<u>Consolidated financial statements</u>	
	<u>31 March 2007</u>	<u>31 December 2006</u>
Long-term loans	2,725	2,955
Less: Current portion	(808)	(812)
Long-term loans - net of current portion	<u>1,917</u>	<u>2,143</u>

Movements in the long-term loans account during the three-month period ended 31 March 2007 are summarised below.

	(Unit: Million Baht)
	Consolidated financial statements
Balance as at 31 December 2006	2,955
Less: Repayment	(230)
Balance as at 31 March 2007	<u>2,725</u>

18. LONG-TERM DEBTS UNDER REHABILITATION PLAN

	(Unit: Million Baht)	
	Consolidated financial statements / Separate financial statements	
	<u>31 March 2007</u>	<u>31 December 2006</u>
Long-term debts under rehabilitation plan	1,484	1,922
Less: Current portion	(417)	(567)
Long-term debts under rehabilitation plan - net of current portion	<u>1,067</u>	<u>1,355</u>

Movements in the long-term debts under rehabilitation plan during the three-month period ended 31 March 2007 are summarised below.

	(Unit: Million Baht)	
	Consolidated financial statements / Separate financial statements	
Balance as at 31 December 2006	1,922	
Less: Repayment	(438)	
Balance as at 31 March 2007	<u>1,484</u>	

In March 2007, the Company made early repayment of long-term debts under the rehabilitation plan amounting to Baht 396 million, comprising the installments due to group 2 of creditors under the Company's rehabilitation plan for the period as from 9 June 2007 to 9 December 2010.

Under the rehabilitation plan of the Company, the majority of the investments of the Company and Jasmine Telecom Systems Plc., a subsidiary, had to pledged or delivered to the custody of a security agent.

19. WARRANTS

19.1 Warrants offered to existing shareholders

As at 31 March 2007, the Company had 6,191,591,050 warrants remained unexercised.

19.2 Warrants offered to the directors or employees of the Company and its subsidiaries (ESOP).

As at 31 March 2007, the Company had 96,776,188 warrants remained unexercised.

20. TREASURY SHARES/APPROPRIATED RETAINED EARNINGS FOR TREASURY SHARES

On 28 February 2007, the Board of Directors of the Company approved a program to repurchase up to 832 million shares (par value of Baht 1 each), or 10 percent of the total number of shares in issue, with a budget of Baht 300 million, for liquidity surplus management purposes. The shares are to be repurchased on the Stock Exchange of Thailand between 15 March 2007 and 14 September 2007, and can be resold more than 6 months after completing the repurchase but within 3 years. As at 31 March 2007, the Company has purchased back 75 million ordinary shares (par value of Baht 1 each), or 0.9 percent of total number of shares in issue, a total of Baht 33 million and as at 15 May 2007, the Company has purchased back 264 million ordinary shares (par value of Baht 1 each), or 3.17 percent of total number of shares in issue, a total of Baht 118 million.

According to letter No. Gor Lor Tor. Chor Sor. (Vor) 2/2548 of the Office of the Securities and Exchange Commission, dated 14 February 2005, concerning the acquisition of treasury shares, a public limited company may buy back treasury shares in an amount not exceeding the amount of its retained earnings and is to appropriate an equal amount of retained earnings to a reserve for treasury shares, which must be maintained until the Company either sells the treasury shares or reduces its paid up share capital by an amount equal to the value of the treasury shares which it could not sell. As at 31 March 2007, the Company has already appropriated the full required amount of retained earnings to a reserve for the treasury shares.

21. CORPORATE INCOME TAX

The Company is not liable to corporate income tax on net income for the period since it has tax loss brought forward from prior years in excess of net income for the period.

Corporate income tax of its subsidiaries is calculated on the income after adding back certain disallowed expenses and after deducting tax loss brought forward from prior years.

22. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income (loss) for the period by the weighted average number of ordinary shares held by outsiders in issue during the period.

Diluted earnings per share is calculated by dividing net income (loss) for the period by the weighted average number of ordinary shares held by outsiders in issue during the period plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the period or on the date the potential ordinary shares were issued.

Reconciliation between basic earnings per share and diluted earnings per share for the three-month periods ended 31 March 2007 and 2006 is presented below.

	Consolidated financial statements					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(Million Baht)	(Million Baht)	(Million shares)	(Million shares)	(Baht)	(Baht)
Basic earnings per share						
Net income	2	435	8,313	8,320	0.0002	0.0522
Effect of dilutive potential ordinary shares						
ESOP	-	-	-	-		
Warrants offered to existing shareholders	-	-	248	384		
Diluted earnings per share						
Net income of ordinary shareholders assuming the conversion of warrants to ordinary shares	<u>2</u>	<u>435</u>	<u>8,561</u>	<u>8,704</u>	0.0002	0.0499
	Separate financial statements					
	Net income (loss)		Weighted average number of ordinary shares		Earnings (loss) per share	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(Million Baht)	(Million Baht)	(Million shares)	(Million shares)	(Baht)	(Baht)
		(Restated)				(Restated)
Basic earnings per share						
Net income (loss)	1,806	(16)	8,313	8,320	0.2173	(0.0020)
Effect of dilutive potential ordinary shares						
ESOP	-	-	-	-		
Warrants offered to existing shareholders	-	-	248	384		
Diluted earnings per share						
Net income (loss) of ordinary shareholders assuming the conversion of warrants to ordinary shares	<u>1,806</u>	<u>(16)</u>	<u>8,561</u>	<u>8,704</u>	0.2110	(0.0019)

23. FINANCIAL INFORMATION BY SEGMENT

The Company and its subsidiaries' business operations involve the network and service provider segment, the provision, the design and installation of telecommunications systems segment and the other segments. These operations are mainly carried on Thailand. Below is the consolidated financial information for the three-month periods ended 31 March 2007 and 2006 of the Company and its subsidiaries by segment.

(Unit: Million Baht)

	Network and service provider		Provision, design and installation of telecommunications systems		Other segments		Elimination of inter-segment transactions		Consolidated total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	Sales and services income	781	1,030	798	506	82	87	(538)	(13)	1,123
Segment operating profit (loss)	270	442	22	123	(14)	(17)	-	-	278	548
Unallocated income and expenses:										
Other income									91	178
Share of income (loss) from investments - in associated companies									(148)	67
Interest expenses									(109)	(116)
Corporate income tax									(98)	(198)
Minority interest									(12)	(44)
Net income									2	435

Transfer prices between business segments are as set out as described in Note 6 to the financial statements.

24. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2007, the Company and its subsidiaries had the following outstanding commitments and contingent liabilities.

24.1 The Company and its subsidiaries had outstanding commitments of approximately Baht 1,047 million in respect of performance bonds and bid bonds issued by banks and financial institutions on behalf of the Company and its subsidiaries (the Company only: Baht 205 million).

24.2 The Company acts as a guarantor for letters of guarantee issued by banks on behalf of its subsidiary totaling Baht 7 million.

24.3 The subsidiary companies had outstanding commitments under the letters of credit with local and overseas suppliers amounting to approximately USD 1 million and Baht 109 million.

- 24.4 The subsidiary companies had outstanding commitments amounting to Baht 68 million relating to purchase of equipment.
- 24.5 ACeS Regional Services Co., Ltd., a subsidiary company, had outstanding commitment in respect of the Founder NSP Airtime Purchase agreement made with ACeS International Limited, the owner of ACeS Satellite Project, a subsidiary company is obliged to pay a fee to ACeS International Limited in accordance with the agreement. The fee is based on the greater of a minimum annual payment (USD 500,000) and a rate based on the volume of use of the satellite service, as specified in the agreement.
- 24.6 Acumen Co., Ltd., a subsidiary company, had outstanding commitment in respect of the rental of satellite transponders used for ISBN, and other projects, for which the rental is payable totaling Baht 17 million.
- 24.7 Jasmine Internet Co., Ltd., a subsidiary company, had entered into a 10-year agreement with TOT Plc. in order to lease on internet protocol network for information transmission (ending date 12 October 2011). The subsidiary company is obliged to comply with certain conditions as stated in the agreement.
- 24.8 Compunet Corporation Limited, a subsidiary company entered into an agreement with the National Telecommunications Commission (formerly known as “the Post and Telegraph Department”) to operate and provide domestic satellite data communication services for a period of 22 years. The subsidiary is obliged to comply with certain provisions, including a commitment to transfer the ownership of communications equipment used in the provision of provide satellite data communications services to the National Telecommunications Commission free of charge and to pay a fee to the National Telecommunications Commission in accordance with the agreement, based on the greater of a minimum annual payment and a percentage of revenues from the services. However, during the year 2002 the subsidiary requested the National Telecommunications Commission to amend such provision, and the National Telecommunications Commission made the following amendments:-
- Reduction of the fee that the subsidiary is to pay to the National Telecommunications Commission from the year 2001 until the end of the contract term to a rate of 9% of revenue before expenses per annum.
 - Cancellation of the minimum fee to be paid to the National Telecommunications Commission from the year 2001 until the end of the contract term.

In 2004, the subsidiary issued a letter to the National Telecommunications Commission requesting the cancellation of the agreement because the subsidiary has ceased its operations. However, the subsidiary has not yet received a reply from the National Telecommunications Commission.

- 24.9 A subsidiary company, entered into a leased line service agreement with TT&T Plc., an associated company, whereby a monthly fee is to be paid at a rate specified in agreement. In addition, the subsidiary has entered into an agreement to provide telecommunication network services to a subsidiary company of the associated company in return for which it is to receive a monthly fee at a rate specified in agreement. The subsidiary company is obliged to pay the leased line service fee and provide service until 26 October 2018 and comply with certain conditions as stated in the agreements. The subsidiary company has assigned its rights over collection from the related company to secure accounts and notes payable for equipment of related company, as described in Note 11 to the financial statements.

25. FOREIGN CURRENCY RISK

The subsidiary companies' exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The subsidiary companies seek to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 March 2007 are summarised below.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 March 2007
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US dollar	12	33	35.0160

Forward exchange contracts of a subsidiary outstanding as at 31 March 2007 are summarised below.

Foreign currency	Forward exchange contract	Contractual exchange rate	Maturity date
	(Million)	(Baht per unit of foreign currency)	
US dollar	0.7	37.4220 - 37.5635	17 April 2007 - 29 June 2007
Euro	0.4	47.0100 - 49.9370	29 June 2007

26. SUBSEQUENT EVENTS

26.1 On 25 April 2007, the Annual General Meeting of the shareholders of the Company passed a resolution to pay a dividend of Baht 0.015 per share, a total of Baht 125 million to the shareholders from the 2006 income.

26.2 On 25 April 2007, the Annual General Meeting of the shareholders of Jasmine Telecom Systems Plc., a subsidiary company, passed a resolution to pay a dividend of Baht 0.17 per share, a total of Baht 119 million, to the shareholders from the 2006 income.

On 4 May 2007, the subsidiary company issued 1,000,000 ordinary shares, at a price of Baht 1 per share, or a total of Baht 1,000,000 in accordance with its employee share ownership plan (ESOP). The subsidiary company registered the increase in its paid-up capital to Baht 702,000,000 with the Ministry of Commerce on 9 May 2007.

26.3 On 20 April 2007, the Annual General Meeting of the shareholders of Thai Long Distance Telecommunications Co., Ltd., a subsidiary company, passed a resolution to pay a dividend of Baht 1.675 per share, a total of Baht 52 million to the shareholders from the 2006 income.

26.4 On 30 April 2007, the Annual General Meeting of the shareholders of Triple T Broadband Co., Ltd., a subsidiary company, passed a resolution to pay a dividend of Baht 2 per share, a total of Baht 22 million, to the shareholders from the 2006 income.

27. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were authorised for issued by the Company's Board of Directors on 15 May 2007.