

Auditor's Review Report

To the Shareholders and the Board of Directors of The International Engineering Public Company Limited

I have audited the consolidated balance sheet of The International Engineering Public Company Limited and subsidiaries as at December 31, 2006, the related consolidated statement of income, the consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended. I have also audited the balance sheet of The International Engineering Public Company Limited as at December 31, 2006, and the related statements of income, the statements of changes in shareholders' equity and statement of cash flows for the year then ended. The management of The International Engineering Public Company Limited is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of The International Engineering Public Company Limited and subsidiaries and the Company's separate financial statements for the year ended December 31, 2005 presented herewith for the comparative purpose, were audited by another auditor whose report dated February 23, 2006, expressed an unqualified opinion on those statements by having an emphasis paragraph concerning the guarantee commitment to a bank in respect to loans to The M. Group Public Company Limited which the Company had entered a debt restructuring agreement and accomplished the terms of such restructuring agreement on December 29, 2005 and concerning the lawsuits in relation to the convertible debt.

Except for the matter discussed in the third paragraph, I conducted my audit 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.

As discussed in Note 2.5, the consolidated financial statements of the Company for the year ended December 31, 2006 include the financial statements of Crystal Agro Co., Ltd., a subsidiary in oversea. The financial statements of Crystal Agro Co.,Ltd was prepared by the subsidiary's personal and was not yet audited, and have total assets of Baht 45.24 million, total liabilities of Baht 63.19 million and total deficit in shareholders' equity of Baht 17.95 million.

In my opinion, except for the effect to the financial statements of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respect, the consolidated financial position of The International Engineering Public Company Limited and subsidiaries as at December 31, 2006, and the consolidated results of their operations and their cash flows for the year then ended and the financial position of The International Engineering Public Company Limited as at December 31, 2006 and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

I draw attention to Note 3 in relation to the new business transactions in the year 2006.

I draw attention to Note 16 and 25.1, there were lawsuits relating to convertible debentures filed against the Company requiring the Company to pay an amount of Baht 449.6 million plus interest at 8 percent per annum on principal of Baht 427.8 million as from the filing date. The cases are being heard by the Supreme Court. The Company already redeemed the debentures by paying to all debenture holders. The trustee of the debenture holders is in process of requesting the confirmation from all debenture holders to confirm that there will be no more lawsuits against the Company so that the Company will be able to release the case from the Supreme Court. The Company expected that the process will be finished within the first quarter of year 2007. Therefore no provision for the full amount for contingent liabilities has been made in the accounts.

Atipong AtipongSakul
Certified Public Accountant
Registration Number 3500

ANS Audit Company Limited
Bangkok, February 28, 2006

FINANCIAL STATEMENTS AND AUDITOR'S REPORT
THE INTERNATIONAL ENGINEERING PUBLIC COMPANY LIMITED
AND SUBSIDIARIES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

THE INTERNATIONAL ENGINEERING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT DECEMBER 31, 2006 AND 2005

(Unit: Baht)

	Notes	Consolidated		The Company Only	
		2006	2005	2006	2005
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		69,822,943	465,592,246	18,790,786	449,386,104
Current investments	4, 5				
Investments in trading securities		217,856,087	-	102,638,000	-
Investments in available-for-sale securities		637,344	168,476	175,230	168,476
Accounts receivable from sales of investments		26,282,348	-	-	-
Trade accounts receivable - net	4, 6	139,867,207	326,741,616	93,171,070	319,335,203
Trade accounts receivable - related parties	7	2,730,597	-	292,650,882	-
Amounts due from and short-term loans to related parties - net	7	1,102,454	19,028,034	299,871,703	87,350,396
Subscription receivable of subsidiary		2,250,000	-	-	-
Inventories - net	4, 8	311,003,922	350,992,871	192,309,389	348,552,626
Wood in a concession area	3	-	-	60,000,000	-
Others current assets					
Prepaid expenses		8,239,465	3,313,949	4,110,290	3,295,840
Withholding tax deducted at source		9,469,056	17,403,059	7,869,564	16,814,812
Input tax refundable		55,413,945	1,098,929	29,082,161	-
Others		32,927,439	3,520,141	20,287,706	2,549,200
TOTAL CURRENT ASSETS		877,602,807	1,187,859,321	1,120,956,781	1,227,452,657
NON-CURRENT ASSETS					
Pledged deposits at financial institutions	24.1, 24.6	125,921,637	47,408,203	123,961,659	45,458,204
Investments accounted for under the equity method	4, 9	212,590,599	148,918,515	698,830,134	413,068,886
Other long-term investments - net	4, 10	33,162,479	525,000	525,000	525,000
Property and equipment - net	4, 11, 15, 27	433,359,846	227,931,901	274,509,091	212,774,537
Deposit for purchase of assets	12.1	5,000,000	-	-	-
Deposit for purchase of computer software	12.2	-	-	-	-
Intangible assets					
Cost for purchase of subscribers - net	4, 14	330,411,445	545,831,768	330,411,445	545,831,768
Leasehold rights - net	4, 15	209,891,924	232,945,067	30,815,834	34,558,108
Computer software - net		2,743,091	2,972,287	2,401,502	2,708,138
Concession on agro - industry project	13	38,449,955	-	-	-
The surplus of investment cost over book value at investment date - ne	9.13	30,343,401	-	-	-
Other non-current assets		34,000,202	22,661,525	18,114,146	17,259,254
TOTAL NON-CURRENT ASSETS		1,455,874,579	1,229,194,266	1,479,568,811	1,272,183,895
TOTAL ASSETS		2,333,477,386	2,417,053,587	2,600,525,592	2,499,636,552

BALANCE SHEETS
AS AT DECEMBER 31, 2006 AND 2005

(Unit: Baht)

	Notes	Consolidated		The Company Only	
		2006	2005	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank overdrafts and short-term loans from financial institutions		116,831,696	-	113,478,635	-
Trade accounts payable		36,895,648	187,731,859	6,678,328	183,639,635
Trust receipts payable		85,400,988	-	85,400,988	-
Constructions payable		42,278,284	-	19,444,282	-
Current portion of hire-purchase creditors		4,380,759	2,837,113	2,058,432	2,837,113
Current portion of convertible debentures	16	10,321,250	60,321,250	10,321,250	60,321,250
Amounts due to and short-term loans from related parties	7	537,719	346,076	115,763,599	7,100,796
Accounts payable from purchases of investments		6,110,870	-	-	-
Other short-term loans		1,680,000	1,680,000	-	-
Deposit received for wood	3,17	50,000,000	-	50,000,000	-
Other current liabilities					
Accrued convertible debentures interest	16	-	33,504,323	-	33,504,323
Accrued income tax		7,938,290	-	-	-
Accrued expenses		39,273,607	35,947,547	14,834,987	25,524,948
Others		20,069,328	14,449,292	8,004,569	7,275,551
TOTAL CURRENT LIABILITIES		421,718,439	336,817,460	425,985,070	320,203,616
NON-CURRENT LIABILITIES					
Hire-purchase creditors - net of current portion		6,503,454	2,224,995	750,990	2,224,995
Convertible debentures - net of current portion	16	10,295,000	20,590,000	10,295,000	20,590,000
Provision for repurchasing shares of subsidiary	9.1	13,755,000	13,755,000	13,755,000	13,755,000
Provision for loss from lawsuits	25.2	72,454,688	69,783,807	72,454,688	69,783,807
Provision for loss from investments accounted					
for under the equity method	9	-	-	275,429,042	113,928,805
Reserve for excess loss from investment in joint venture	9	7,338,917	5,781,724	-	-
Reserve for loss from guarantee on loan of associated company	9.7	15,000,000	-	15,000,000	-
Deposits received from customers		9,700,360	13,604,272	4,654,000	4,654,000
TOTAL NON-CURRENT LIABILITIES		135,047,419	125,739,798	392,338,720	224,936,607
TOTAL LIABILITIES		556,765,858	462,557,258	818,323,790	545,140,223

THE INTERNATIONAL ENGINEERING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

The accompanying notes are an integral part of the financial statements

	Notes	Consolidated		The Company Only	
		2006	2005	2006	2005
SHAREHOLDERS' EQUITY					
Share capital					
Registered					
2,200,000,000 ordinary shares of Baht 1 each		2,200,000,000	2,200,000,000	2,200,000,000	2,200,000,000
Issued and fully paid					
1,333,200,000 ordinary shares of Baht 1 each			1,333,200,000		1,333,200,000
1,749,229,000 ordinary shares of Baht 1 each	18	1,749,229,000		1,749,229,000	
Premium on share capital	18, 19	1,006,805,332	492,472,671	1,006,805,332	492,472,671
Advance received from share subscription	18	-	121,000,000	-	121,000,000
Unrealised gain (loss) on investment in available-for-sale securities	4, 5	21,310	10,955	17,709	10,955
Translation adjustments		2,397,215	-	-	-
Retained earnings (deficit)					
Appropriated - statutory reserve	20	400,000	400,000	400,000	400,000
Unappropriated (deficit)		(974,250,239)	7,412,703	(974,250,239)	7,412,703
Minority interest		(7,891,090)	-	-	-
TOTAL SHAREHOLDERS' EQUITY		1,776,711,528	1,954,496,329	1,782,201,802	1,954,496,329
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,333,477,386	2,417,053,587	2,600,525,592	2,499,636,552

(Unit: Baht)

	Notes	Consolidated		The Company Only	
		2006	2005	2006	2005
REVENUES	4, 7				
Sales and services income		4,160,957,064	5,249,102,817	4,214,672,421	4,761,773,971
Gain on sales of investment in securities		117,530,468	-	15,503,045	-
Rental income		26,194,652	-	-	-
Other income					
Interest income		11,467,051	5,129,175	25,811,608	9,827,592
Dividend income		7,293,180	-	-	-
Gain from redemption of debenture	16	14,643,510	-	14,643,510	-
Gain from sales investment in subsidiary	10	30,025,716	-	-	-
Share of gains from investments accounted for under the equity method	9	-	4,881,601	21,095,650	6,015,760
Other		23,030,810	43,966,460	22,755,505	41,318,464
TOTAL REVENUES		4,391,142,451	5,303,080,053	4,314,481,739	4,818,935,787
EXPENSES	4, 7				
Cost of sales and services		3,943,414,677	4,871,630,473	4,029,835,573	4,386,701,646
Cost of rental		52,625,684	-	-	-
Selling and administrative expenses		723,551,389	458,313,028	383,682,325	423,296,731
Directors' remuneration		11,587,204	6,598,119	7,087,204	6,598,119
Unrealised loss on investment in trading securities	4, 5	33,900,602	-	12,245,533	-
Provision for loss from lawsuits		2,670,881	69,783,807	2,670,881	69,783,807
Loss from impairment of cost of purchase of subscribers	14	135,000,000	165,000,000	135,000,000	165,000,000
Loss from impairment of leasehold rights	15	7,000,000	-	-	-
Loss from impairment of investment in associated companies	9,8,9,9	276,115,038	-	276,115,038	-
Loss from impairment of deposit for purchase of computer software	13	60,500,000	-	60,500,000	-
Loss on guarantee on loan of associated companies	9,7	15,000,000	-	15,000,000	-
Share of loss from investments accounted for under the equity method	9	86,534,070	19,399,064	360,741,974	56,196,601
TOTAL EXPENSES		5,347,899,545	5,590,724,491	5,282,878,528	5,107,576,904
Net loss before interest expenses		(956,757,094)	(287,644,438)	(968,396,789)	(288,641,117)
Interest expenses		(15,957,210)	(11,938,035)	(13,266,153)	(12,006,145)
Corporate income tax		(9,089,728)	(1,064,789)	-	-
Net loss before minority interests		(981,804,032)	(300,647,262)	(981,662,942)	(300,647,262)
Minority interests		141,090	-	-	-
Loss from ordinary activities		(981,662,942)	(300,647,262)	(981,662,942)	(300,647,262)
Extraordinary items-gain from debt restructuring		-	57,000,000	-	57,000,000
Net loss for the year		(981,662,942)	(243,647,262)	(981,662,942)	(243,647,262)
Loss per Share (Baht)	4, 21				
Basic loss per share					
Loss from ordinary activities		(0.61)	(0.34)	(0.61)	(0.34)
Extraordinary items		-	0.06	-	0.06
Net loss		(0.61)	(0.28)	(0.61)	(0.28)

THE INTERNATIONAL ENGINEERING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Unit: Baht)

CONSOLIDATED

	Issued and paid-up share capital	Premiums on share capital	Advances received from share subscriptions	Unrealised gain on investments in available-for-sale securities	Retained earnings (Deficit)		Translation adjustments	Minority interest-equity attributable to minority shareholders of subsidiaries	Total
					Appropriated- statutory reserve	Unappropriated (deficit)			
Balance as at January 1, 2006	1,333,200,000	492,472,671	121,000,000	10,955	400,000	7,412,703	-	-	1,954,496,329
Increase in share capital (Note 18)	416,029,000	514,332,661	(121,000,000)	-	-	-	-	-	809,361,661
Translation adjustments	-	-	-	-	-	-	2,397,215	-	2,397,215
Interest of other shareholders in Crystal Agro Co., Ltd (Note 2.5)	-	-	-	-	-	-	-	(10,000,000)	(10,000,000)
Minority interest	-	-	-	-	-	-	-	2,108,910	2,108,910
Unrealised item in income statement									
Decrease in fair value of investments	-	-	-	10,355	-	-	-	-	10,355
Net loss for the year									
December 31, 2006	-	-	-	-	-	(981,662,942)	-	-	(981,662,942)
Balance as at December 31, 2006	<u>1,749,229,000</u>	<u>1,006,805,332</u>	<u>-</u>	<u>21,310</u>	<u>400,000</u>	<u>(974,250,239)</u>	<u>2,397,215</u>	<u>(7,891,090)</u>	<u>1,776,711,528</u>
Balance as at January 1, 2005	771,450,000	669,635,950	-	7,600	-	(372,494,789)	-	-	1,068,598,761
Increase in share capital	561,750,000	446,791,475	121,000,000	-	-	-	-	-	1,129,541,475
Unrealised item in income statement									
Increase in fair value of investments	-	-	-	3,355	-	-	-	-	3,355
Allocation of share premium to eliminate deficit	-	(623,954,754)	-	-	-	623,954,754	-	-	-
Appropriated earnings to legal reserve (Note 20)	-	-	-	-	400,000	(400,000)	-	-	-
Net loss for the year									
December 31, 2005	-	-	-	-	-	(243,647,262)	-	-	(243,647,262)
Balance as at December 31, 2005	<u>1,333,200,000</u>	<u>492,472,671</u>	<u>121,000,000</u>	<u>10,955</u>	<u>400,000</u>	<u>7,412,703</u>	<u>-</u>	<u>-</u>	<u>1,954,496,329</u>

THE INTERNATIONAL ENGINEERING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Unit: Baht)

THE COMPANY ONLY

	Unrealised gain						Total
	Issued and paid-up share capital	Premiums on share capital	Advances received from share subscription	on investments in available-for-sale securities	Retained earnings (Deficit)		
					Appropriated- statutory reserve	Unappropriated (deficit)	
Balance as at January 1, 2006	1,333,200,000	492,472,671	121,000,000	10,955	400,000	7,412,703	1,954,496,329
Increase in share capital (Note 18)	416,029,000	514,332,661	(121,000,000)	-	-	-	809,361,661
Unrealised item in income statement							
Increase in fair value of investments	-	-	-	6,754	-	-	6,754
Net loss for the year							
December 31, 2006	-	-	-	-	-	(981,662,942)	(981,662,942)
Balance as at December 31, 2006	<u>1,749,229,000</u>	<u>1,006,805,332</u>	<u>-</u>	<u>17,709</u>	<u>400,000</u>	<u>(974,250,239)</u>	<u>1,782,201,802</u>
Balance as at January 1, 2005	771,450,000	669,635,950	-	7,600	-	(372,494,789)	1,068,598,761
Increase in share capital	561,750,000	446,791,475	121,000,000	-	-	-	1,129,541,475
Unrealised item in income statement							
Increase in fair value of investments	-	-	-	3,355	-	-	3,355
Allocation of share premium to eliminate deficit	-	(623,954,754)	-	-	-	623,954,754	-
Appropriated earnings to legal reserve (Note 20)	-	-	-	-	400,000	(400,000)	-
Net loss for the year							
December 31, 2005	-	-	-	-	-	(243,647,262)	(243,647,262)
Balance as at December 31, 2005	<u>1,333,200,000</u>	<u>492,472,671</u>	<u>121,000,000</u>	<u>10,955</u>	<u>400,000</u>	<u>7,412,703</u>	<u>1,954,496,329</u>

THE INTERNATIONAL ENGINEERING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Unit: Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Cash flows from (used in) operating activities:-				
Net loss	(981,662,942)	(243,647,262)	(981,662,942)	(243,647,262)
Reconciliations of net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	152,447,809	148,110,971	125,247,156	136,666,351
Provision for impairment in value of assets	210,917,149	166,059,889	203,447,533	165,000,000
Allowance for doubtful accounts (reversal)	17,928,771	(56,695,865)	17,804,386	(5,768,410)
Provision for loss from lawsuits	2,670,881	69,783,807	2,670,881	69,783,807
Allowance for diminution in value of inventories	113,556,239	9,768,553	59,229,557	9,572,839
Reserve for loss from guarantee on loans of associated companies	15,000,000	-	15,000,000	-
Share of gain from investments accounted for under the equity method	-	(4,881,601)	(21,095,650)	(6,015,760)
Share of loss from investments accounted for under the equity method	86,534,070	19,399,064	360,741,974	56,196,601
Amortization of goodwill	-	2,963,086	-	2,963,086
Loss from impairment of investment in associated companies	276,115,039	-	276,115,039	-
Gain on disposal of investment	(117,530,468)	-	(15,503,045)	-
Unrealized (gain) loss on investment in securities	33,900,602	-	12,245,533	-
(Gain) loss on sales of fixed assets	(4,093,223)	879,487	(4,090,902)	525,781
Loss from written-off fixed assets	-	5,126,038	2,414,547	1,999,518
Gain from redemption of debenture	(14,643,510)	-	(14,643,510)	-
Unrealized gain on exchange	21,052	(13,646)	21,052	(13,646)
Gain on sales of investment in subsidiary	(30,025,716)	-	-	-
Cash flows from operating activities before changes in				
operating assets and liabilities	(238,864,247)	116,852,521	37,941,609	187,262,905
Decrease (increase) in operating assets				
Trade accounts receivable	190,578,197	156,675,254	(62,658,576)	107,874,103
Trade accounts receivable - related parties	(2,730,597)	(1,556,934)	(56,812,239)	(4,912,826)
Inventories	(73,567,290)	(10,726,456)	97,013,680	(9,480,329)
Subscription receivable of subsidiary	(2,250,000)	-	-	-
Wood in a concession area	-	-	(60,000,000)	-
Other current assets	(80,713,827)	32,136,705	(38,689,870)	34,114,367
Other non-current assets	(11,338,677)	(4,195,257)	(854,892)	(823,298)
Increase (decrease) in operating liabilities				
Trade accounts payable	(150,857,263)	(259,152,587)	(176,982,358)	(258,701,353)
Amounts due to related parties	191,643	96,000	24,662,803	1,433,260
Deposit received for wood	50,000,000	-	50,000,000	-

THE INTERNATIONAL ENGINEERING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Unit: Baht)

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Accrued expenses	3,326,060	(14,383,149)	(44,194,285)	(18,777,823)
Other current liabilities	13,558,326	(6,076,161)	729,018	(566,747)
Deposit received from customers	(3,903,912)	8,950,272	-	-
Net cash from operating activities - before extraordinary items	(306,571,587)	18,620,208	(229,845,110)	37,422,259
Extraordinary items - gain from debt restructuring	-	(57,000,000)	-	(57,000,000)
Net cash used in operating activities	(306,571,587)	(38,379,792)	(229,845,110)	(19,577,741)
Cash flows from (used in) investing activities				
Increase in pledged deposits at financial institutions	(78,513,434)	(1,712,744)	(78,503,455)	(1,600,000)
(Increase) decrease in short-term loans to related parties	(3,706,979)	1,296,528	(190,000,000)	(36,077,000)
Cash paid for investment in available-for-sale securities	(458,513)	-	-	-
Proceeds from investment in trading securities	607,556,905	-	83,202,996	-
Cash paid for investment in trading securities	(761,954,604)	-	(182,583,483)	-
Cash paid for deposit for purchase of computer software	(60,500,000)	-	(60,500,000)	-
Cash paid for investment in subsidiary	(91,630,000)	-	(307,500,000)	-
Cash received from sales of investment in subsidiary	82,299,706	-	-	-
Dividend received from related company	6,718,531	-	-	-
Cash paid for investment in associated company	(424,764,000)	(147,060,000)	(419,864,000)	(147,060,000)
The surplus of investment cost over book value at investment date - net	(30,343,401)	-	-	-
Deposit received from sales of investment in subsidiary	(5,000,000)	-	-	-
Proceeds from disposal of fixed assets	27,959,800	1,377,446	26,637,911	827,629
Acquisition of fixed assets	(251,178,534)	(26,947,479)	(115,977,284)	(14,029,565)
Cash paid for the concession on agro - industry project	(38,449,955)	-	-	-
Cash paid for transferred leasehold rights	-	(195,000,000)	-	(195,000,000)
Net cash used in investing activities	(1,021,964,478)	(368,046,249)	(1,245,087,315)	(392,938,936)
Cash flows from (used in) financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	116,831,696	(76,355,140)	113,478,635	(75,000,000)
Trust receipts payable	85,400,988	-	85,400,988	-
Receipts of short-term loans from related companies	-	-	89,000,000	52,851,300
Repayments of short-term loans from related companies	-	-	(5,000,000)	(47,851,300)
Cash receipts from short-term loans from other persons	-	38,000,000	-	38,000,000
Repayment of short-term loans from other persons	-	(78,000,000)	-	(78,000,000)
Cash paid for redemption of convertible debentures	(79,155,813)	(10,395,000)	(45,651,490)	(10,395,000)
Increase (decrease) in hire purchase creditors	5,822,105	(3,948,806)	(2,252,686)	(3,948,806)
Repayment of guarantee liability	-	(291,750,000)	-	(291,750,000)

THE INTERNATIONAL ENGINEERING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Unit: Baht)

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Translation adjustments	2,397,215	-	-	-
Change in minority interests	(7,891,090)	-	-	-
Capital increased	819,285,950	1,143,735,000	812,493,352	1,143,735,000

The accompanying notes are an integral part of the financial statements

Cash paid to investment advisor for capital increase	(9,924,289)	(14,193,525)	(3,131,692)	(14,193,525)
Net cash from financing activities	932,766,762	707,092,529	1,044,337,107	713,447,669
Net increase (decrease) in cash and cash equivalents	(395,769,303)	300,666,488	(430,595,318)	300,930,992
Cash and cash equivalents at beginning of the year	465,592,246	164,925,758	449,386,104	148,455,112
Cash and cash equivalents at end of the year	69,822,943	465,592,246	18,790,786	449,386,104

Supplementary disclosure of cash flows information

Cash paid during the year

Interest paid	6,229,695	7,128,413	8,112,444	7,084,168
Income tax paid	10,690,866	17,236,256	7,869,564	16,814,812

THE INTERNATIONAL ENGINEERING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

1. GENERAL INFORMATION

The International Engineering Public Company Limited (hereinafter called “the Company”) was incorporated as a public company limited under Thai laws. The Company operates its business in Thailand and its principal activities are as a distributor of mobile phones and engineering products and airtime provider for a cellular telephone service (Digital PCN 1800). The Company moved its head office from 979/81-95 SM Tower, Phaholyothin Road, Samsennai, Phyathai, Bangkok to 390 IEC Complex, Ramkamhaeng Road, Hua Mark, Bangkapi, Bangkok effective from November 1, 2006.

2. BASIS OF FINANCIAL STATEMENTS PRESENTATION

The financial statements of the Company have been presented in accordance with the Announcement of Trade Development Department dated September 14, 2001 issued under the Accounting Act, B.E. 2543, and in conformity with generally accepted accounting principles practiced in Thailand.

Basis of consolidated financial statements presentation

2.1 The consolidated financial statements for the years ended December 31, 2006 and 2005, consisted of the financial statements of The International Engineering Public Company Limited and its subsidiaries as follows:

<u>Subsidiaries</u>	<u>Business</u>	<u>Paid up capital</u>		<u>Equity interest (percent)</u>	
		<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
IEC Mobile Co., Ltd.	Sales of mobile handsets and sim cards	100,000	100,000	100.0	100.0
IEC Technology Co., Ltd.	Information technology service	50,000	50,000	65.0	65.0
IEC Asset Co., Ltd.	Lease of property and service	285,000	285,000	100.0	100.0
IEC Easy Fix Company Limited	Repair services for mobile handsets and accessories	37,500	-	100.0	-
IEC Business Partners Co., Ltd.	Investment	250,000	-	100.0	-
Intertrade Asia Co., Ltd. (held by IEC Business Partners Co., Ltd.)	Commercial business	20,000	-	100.0	-

	Business	Paid up capital		Equity interest (percent)	
		(Thousand Baht)		2006	2005
		2006	2005	2006	2005
G.E.C. International Co., Ltd. (held by IEC Business Partners Co., Ltd.)	Engaged in an electric engineering and machine business in Middle East Asia	5,000	-	55.0	-
Application Hosting Services Co., Ltd. (In the past, 49% of interest held by IEC Business Partners Co., Ltd. and a portion of interest was disposed during 2006)	Sales of software	23,000	-	8.9	-
OneNet Co., Ltd (Formerly, named as Info Comm (Thailand) Co., Ltd which 49% interest held by IEC Business Partner Company Limited and 21.4% held by LOCUS Telecommunication Inc. Limited. The portion of 21.4% was disposed during 2006)	Online game business	10,000	-	49.0	-
Crystal Agro Co., Ltd	Agro-industry business in Cambodian	40,000	-	50.0	-
<u>Joint Venture</u>					
IEC Internet Co., Ltd. (65% held by IEC Asset Co., Ltd.)	Internet service provider (ceased operation in 2005)	15,000	15,000	65.0	65.0

On September 25, 2006, the other shareholders of Application Hosting Services Co., Ltd. sold their shares to Dragon One Public Co., Ltd., resulting in Dragon One Public Co., Ltd. holding 51% interest in the registered share capital and being the parent company of Application Hosting Services Co., Ltd. Considering the initial intention of controlling the company, the management considered to consolidate the financial statements of Application Hosting Services Co., Ltd. up to September 25, 2006.

On December 21, 2006, LOCUS Telecommunication Inc. Limited entered into a share purchase agreement to sell shares of OneNet Co., Ltd to August Asia Holdings Pte Ltd., resulting in a new parent company of OneNet Co., Ltd, August Asia Holdings Pte Ltd, holds 51% interest in the registered share capital. The management considered to consolidate the financial statements of OneNet Co., Ltd. up to December 21, 2006.

2.2 The assets, liabilities and results of operations of the subsidiaries and the joint venture are included in the consolidated financial statements from the date of acquisition to the date that the Company has no control over those entities.

2.3 Material intercompany balances and transactions have been eliminated from the consolidated financial statements.

2.4 Goodwill on consolidation, which represents the excess of purchase consideration over the fair value ascribed to the separable net assets acquired, is regarded as an asset and amortized over a period of 5 to 10

years. The Company recognizes impairment loss if events or changes in circumstances indicate the fair value of goodwill is lower than the cost.

2.5 The consolidated financial statements of the Company for the year ended December 31, 2006 include the financial statements of Crystal Agro Co., Ltd., a subsidiary in Cambodia. The financial statements of Crystal Agro Co., Ltd. was prepared by the subsidiary's personal and were not yet audited, and have total assets of Baht 45.24 million, total liabilities of Baht 63.19 million and total deficit in shareholders' equity of Baht 17.95 million. For consolidation purpose, the Company incurred the surplus at the investment date of Baht 30 million resulted from the investment cost higher than the unaudited book value. This will be amortized within 10 year period. In addition, other shareholder of Crystal Agro Co.,Ltd absorbs loss in excess of its capital, incurred prior to the investment date, of Baht 10 million as included in minority interest.

3. NEW BUSINESS TRANSACTIONS

3.1 In March 2006, the Company entered into a sales agreement to sell New Link Software and Platform to two juristic persons registered overseas, for a total contract value of USD 1,550,000 equivalent to Baht 60.20 million. (See Note 22)

3.2 On May 25, 2006, the Company entered into a licensing agreement to use computer software in providing Mobile Casting Services to mobile phone users across Thailand, with a local company acting as the authorized agent of the copyright owner in Israel. The licensing fee for using such program is Baht 80 million. As at December 31, 2006 the Company has deposits Baht 60.50 million (See Note 12.2).

3.3 On June 9, 2006, the Company entered into a purchase agreement for wood with a Cambodian-registered company duly granted by the Cambodian government, a 70-year concession of cultivation and agricultural business. The Company agreed to buy not over than 150,000 cubic meters of wood located on the concession area of 8,000 hectares or 50,000 rais in Tambon Samrong, Ampur Udon Meechai in Cambodia within a period of 2 years. The total contract value is Baht 60 million. On June 21, 2006, the Company entered into a sales agreement with a local company to sell the quantity bought from the foreign company as aforementioned within a period of 2 years with a contract value of Baht 220 million (See Note 17). The company, that was granted of the concession, has the authorized director who, in the past, had a close relationship with a director of the Company. On July 14, 2006, the Company paid an amount of Baht 60 million in accordance with the purchase agreement for wood according to the Minutes of Board of Director Meeting No. 10/2006 dated June 19, 2006. As at December 31, 2006, the Company received advance for wood amount of Baht 50 million.

On June 20, 2006, the Company advanced a payment of Baht 20 million following the memorandum of understanding with the Cambodia-registered company dated June 1, 2006 in order to implement the business plan in contributing investment in the concession cultivation project in Cambodia. The Management invested in the ordinary shares of Crystal Agro Co., Ltd. in a proportion of 50% of the registered capital of USD 1 million (equivalent to approximately Baht 40 million) by using the advance payment of Baht 20 million. The registration of change in capital structure was made on November 28, 2006 (See Notes 9.13 and 13).

3.4 Consulting fee

The Company had consulting fees mainly involving with the business transactions which the Company invested in 2006 and in the future of Baht 72.11 million in the consolidated financial statements for the year ended December 31, 2006.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Measurement Bases Used in Preparing the Financial Statements

Other than those disclosed in other outlines in the summary of significant accounting policies and other notes to the financial statements, the financial statements are prepared on the historical cost basis.

Revenues and Expenses Recognitions

Revenues and expenses are recognized on an accrual basis.

Sales of goods are recognized when products are delivered and title passes to customers.

Service income is recognized by reference to the stage of completion.

Long-term service contract income is recognized in accordance with the revenue sharing percentage stipulated in the related contract as installments fall due and service is provided.

Current investments

Investments in trading securities

Investments in marketable securities, which the Company intends to hold as trading securities are stated at fair value. Gain or loss on the securities valuation is shown in the income statements.

Investments in available-for-sale securities

Investments in marketable securities, which the Company intends to hold as available-for-sales securities, are stated at fair value. Changes in the securities valuation are separately shown in shareholders' equity in the balance sheet and are credited or charged against earnings when the investments have been disposed of.

The cost of the disposed investment is determined by the weighted average.

Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at net realizable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is based on collection experience and the current status of receivables outstanding at the balance sheet dates.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined on the weighted average method.

Investments in subsidiaries

Investments in subsidiaries, the joint venture (in the separate financial statements of the Company) and the associated company are accounted for under the equity accounting method. Under this method, the investments are initially recorded at cost, with any excess of cost over the book value or goodwill of the investment at the date of acquisition being amortized on a straight-line basis over a period of five to ten years, and deducted against any provision for impairment. In each period following acquisition the value of the investment is adjusted to incorporate the Company's proportionate share of the operating results of the subsidiary companies, the joint venture and the associated company.

Goodwill

The Company changes the amortization of goodwill on the investment in Locus Telecommunications Inc. Limited from 10 years to 5 years following the main income of the said associated company.

The Company has accounting policy to amortize the goodwill on the investment in Bliss-Tel Public Company Limited in 5 years.

The Company has accounting policy to amortize the surplus of investment cost over the book value at investment date for the investment in Crystal Agro Co., Ltd in 10 years.

Accounting for investment in Application Hosting Services Co., Ltd.

In the first quarter of the year 2006, the Company accounted for the investment in Application Hosting Services Co., Ltd. using the equity method due to the Company holding an interest of 49%. In the second quarter of the year 2006, the Company considered to consolidate the financial statements of Application Hosting Services Co., Ltd. since the Company has the intention to control such company. In the third quarter of the year 2006, another shareholder of Application Hosting Services Co., Ltd. sold his shares to Dragon One Public Co., Ltd., resulting in Dragon One Public Co., Ltd. holding 51% interest in registered share capital and being the parent company of Application Hosting Services Co., Ltd. Considering in initial intention of controlling the company, the management considered to consolidate the financial statements of Application Hosting Services Co., Ltd. up to September 25, 2006.

Other long-term investments

Other long-term investments are valued at cost or book value (in case of reclassification of the type of investment) less allowance for devaluation of the investment.

Property and equipment / depreciation

Property and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets.

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

Buildings	-	20 years
Leasehold improvements	-	over lease periods or five years
Furniture, fixtures and office equipment	-	5 years
Vehicles	-	5 years

No depreciation is provided for land and leasehold improvement in progress.

The Company, its subsidiaries and its joint venture recognize impairment loss if events or changes in circumstances indicate the carrying value may not be recoverable.

Cost for purchase of subscribers

The cost for purchase of subscribers is stated at cost less accumulated amortization. Amortization of the cost for purchase of subscribers is calculated by reference to its cost on a straight-line basis over the 17-year period of the “Airtime Provider Agreement” between the Company and Total Access Communication Public Company Limited. The Company recognizes impairment loss if events or changes in circumstances indicate the carrying value may not be recoverable.

Amortization

Costs of equipment for providing internet service and communications equipment are amortised on a straight line-basis over the estimated useful lives of the equipment transferred (5 years and 10 years), but not to exceed the remaining period of the concession.

Leasehold rights

Cost of leasehold rights is amortized on a straight-line basis over the lease periods.

Foreign currencies

Foreign currency transactions incurred during the year are translated into Baht at the exchange rates ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currency outstanding at the balance sheet dates are translated into Baht at the exchange rates ruling on the balance sheet dates.

Exchange gains and losses are included in determining earnings of the year.

Gain from debt restructuring

Debt waived by creditors is recognized as an extraordinary gain from debt restructuring in the earnings statement.

Loss per share

Basic loss per share as presented in the earnings statement is calculated by dividing the net loss for the year by the weighted average number of ordinary shares in issue and paid up during the year.

Diluted loss per share is calculated by dividing net loss for the year by the total sum of the weighted average number of ordinary shares in issue and paid up during the year and the weighted average number of ordinary shares issue to convert all dilutive potential ordinary shares (warrants) into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date that the potential ordinary shares were issued.

Cash and cash equivalents

In preparation of the statements of cash flow, cash and cash equivalents consisted of cash on hand and deposits in financial institutions in accordance with the definition stated in the Thai accounting standard “Statements of Cash Flows”.

Cash and cash equivalents include cash on hand and deposits held at banks and other short-term investments with original maturities of three months or less.

Estimation

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

5. CURRENT INVESTMENTS

Current investment as at December 31, 2006 and 2005 was as follows:

	(Unit: Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Investments in trading securities				
At cost				
NEP Realty and Industry Public Company Limited				
- 4,500,900 shares	32,806,807	-	-	-
NEP Realty and Industry Public Company Limited - W1				
- 1,710,900 shares	5,570,975	-	-	-
EMC Public Company Limited				
- 20,000,000 shares	72,269,247	-	72,269,247	-
Navanakorn Public Co.,Ltd				
- 700,000 shares	3,438,575	-	-	-
- 300,000 shares	1,413,525	-	1,413,525	-
Navanakorn Public Co.,Ltd - W1				
- 13,000,000 shares	41,200,761	-	41,200,761	-
Power Line Engineering Public Company Limited				
- 10,000,000 shares	95,056,799	-	-	-
Less: Unrealized loss from valuation				
of investment	(33,900,602)	-	(12,245,533)	-
Total investments in trading securities	<u>217,856,087</u>	<u>-</u>	<u>102,638,000</u>	<u>-</u>
Investments in available-for-sale securities				
At cost				
Investment in Open Ended Mutual Fund	157,521	157,521	157,521	157,521
Other investments in marketable securities	458,513	-	-	-
Add: Unrealized gain from valuation				
of investment	21,310	10,955	17,709	10,955
Total investments in available-for-sale securities	<u>637,344</u>	<u>168,476</u>	<u>175,230</u>	<u>168,476</u>

6. TRADE ACCOUNTS RECEIVABLE

The aging of the outstanding balances as at December 31, 2006 and 2005 was as follows:-

(Unit: Thousand Baht)

<u>Ages of receivables</u>	<u>Consolidated</u>		<u>The Company Only</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Unrelated parties</u>				
Not yet due	92,444,566	297,132,926	75,910,554	289,766,762
Past due				
Up to 3 months	32,527,422	27,726,004	15,503,206	27,696,475
3 - 6 months	12,300,595	1,937,618	3,900,557	1,448,456
6 - 12 months	5,653,555	1,717,810	77,700	1,496,350
Over 12 months	8,830,560	13,820,537	8,816,115	13,792,394
Total	151,756,698	342,334,895	104,208,132	334,200,437
<u>Less: Allowance for doubtful accounts</u>	<u>(11,889,491)</u>	<u>(15,593,279)</u>	<u>(11,037,062)</u>	<u>(14,865,234)</u>
Trade accounts receivable - net	<u>139,867,207</u>	<u>326,741,616</u>	<u>93,171,070</u>	<u>319,335,203</u>

7. RELATED PARTY TRANSACTIONS

The Company had significant business transactions with its subsidiaries, joint venture and related parties (related by way of shareholding, common shareholders and/or common directors). These transactions, which have been concluded on the terms and basis as specified in the agreements between the Company and those companies, in the ordinary course of their business and based on prevailing market conditions, are summarized below :-

					(Unit: Million Baht)
	Consolidated		The Company Only		Pricing policy
	2006	2005	2006	2005	
<u>Transactions with subsidiaries</u>					
Revenue from sales (net)	-	-	1,637.5	-	Cost plus certain margin
Purchases	-	-	3.9	5.0	Cost plus certain margin
Management fee	-	-	-	2.0	Contract price
Rental income	-	-	-	0.2	Contract price
Interest income	-	-	19.7	6.0	
Borrowings (weighted average balance of borrowings outstanding during the year)	-	-	261.1	80.8	Interest rate with reference of commercial bank plus a margin of 0.25–2%
Rental expenses	-	-	2.9	0.5	Market price
Interest expenses	-	-	3.0	0.2	Market price
Borrowings (weighted average balance of borrowings outstanding during the year)	-	-	-	3.5	Interest rate with reference of commercial bank plus a margin of 0.25–2%
<u>Transactions with related parties</u>					
Revenue from sales (net)	116.9	-	116.9	-	Market price
Purchases	192.4	-	192.4	-	Market price
Interest income	-	2.6	-	2.6	
Loans (weighted average balance of loans outstanding during the period)	35.4	35.4	35.4	35.4	Interest rate with reference of commercial bank plus a margin of 0.25–2%
<u>Transactions with join venture</u>					
Rental income	-	0.4	-	-	Cost plus certain margin
Interest income	-	1.2	-	-	
Loans (weighted average balance of loans outstanding during the period)	30.4	28.8	30.4	-	Interest rate with reference of commercial bank plus a margin of 0.25–2%
Service expenses	-	0.3	-	0.7	Market price

As at December 31, 2006 and 2005, the outstanding balance of the above transactions, are shown as separate items in the balance sheets as follows:-

(Unit: Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
<u>Trade accounts receivable</u>				
<u>Subsidiary companies</u>				
IEC Mobile Company Limited	-	-	291,500,199	-
<u>Associated company</u>				
Bliss-Tel Public Company Limited	2,730,597	-	1,150,683	-
Total trade accounts receivable	<u>2,730,597</u>	<u>-</u>	<u>292,650,882</u>	<u>-</u>
<u>Amounts due from related parties</u>				
<u>Subsidiary companies</u>				
IEC Mobile Company Limited	-	-	16,938,120	72,525
IEC Technology Company Limited	-	-	3,088,091	283,586
IEC Asset Company Limited	-	-	19,689,107	4,753,798
IEC Business Partner Company Limited	-	-	191,800	-
Inter Trade Asia Company Limited	-	-	21,537	-
IEC Easy Fix Company Limited	-	-	18,279,505	-
Crystal Agro Company Limited	-	-	3,082	-
<u>Associated company</u>				
Info Comm (Thailand) Co., Ltd	-	-	3,927	-
<u>Related parties</u>				
Application Hosting Services Co., Ltd.	1,102,454	-	1,102,454	-
Micronetic Public Company Limited	1,753,659	353,034	1,753,659	353,034
Ethnic Earth.Com Holdings Company Limited	4,119,647	2,915,747	4,119,647	2,915,747
Less: Allowance for doubtful accounts	(5,873,306)	(2,915,747)	(5,873,306)	(2,915,747)
The M. Group Public Company Limited	450,000,000	450,000,000	450,000,000	450,000,000
Less: Allowance for doubtful accounts	(450,000,000)	(450,000,000)	(450,000,000)	(450,000,000)
	<u>1,102,454</u>	<u>353,034</u>	<u>59,317,623</u>	<u>5,462,943</u>
<u>Short-term loans to related parties</u>				
<u>Subsidiary companies</u>				
IEC Asset Company Limited	-	-	237,877,000	59,277,000
IEC Technology Company Limited	-	-	52,920,000	44,520,000
IEC Easy Fix Company Limited	-	-	3,000,000	-
Less: Allowance for doubtful accounts (Note 9)	-	-	(53,242,920)	(40,584,547)
<u>Joint venture</u>				
IEC Internet Company Limited	30,355,698	30,355,698	-	-
Less: Allowance for doubtful accounts (Note 9)	(30,355,698)	(30,355,698)	-	-
<u>Related parties</u>				
Micronetic Public Company Limited	18,675,000	18,675,000	18,675,000	18,675,000
Ethnic Earth.Com Holding Company Limited	16,770,000	16,770,000	16,770,000	16,770,000
Less: Allowance for doubtful accounts	(35,445,000)	(16,770,000)	(35,445,000)	(16,770,000)
	<u>-</u>	<u>18,675,000</u>	<u>240,554,080</u>	<u>81,887,453</u>
Total account receivable and amounts due from and short-term loans to related parties - net	<u>1,102,454</u>	<u>19,028,034</u>	<u>299,871,703</u>	<u>87,350,396</u>

(Unit : Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
		(Audited)		(Audited)
<u>Amount due to related parties</u>				
<u>Subsidiary companies</u>				
IEC Technology Company Limited	-	-	7,955	-
IEC Mobile Company Limited	-	-	3,538,621	1,850,720
IEC Asset Company Limited	-	-	153,502	-
IEC Easy Fix Company Limited	-	-	22,621,802	-
<u>Associated company</u>				
Bliss-Tel Public Company Limited	191,643	-	191,643	-
<u>Related parties</u>				
Micronetic Public Company Limited	346,076	346,076	250,076	250,076
	<u>537,719</u>	<u>346,076</u>	<u>26,763,599</u>	<u>2,100,796</u>
<u>Short-term loans from related parties</u>				
<u>Subsidiary companies</u>				
IEC Business Partner Company Limited	-	-	89,000,000	-
IEC Mobile Company Limited	-	-	-	5,000,000
Total amounts due to and short-term loans from related parties - net	<u>537,719</u>	<u>346,076</u>	<u>115,763,599</u>	<u>7,100,796</u>

The above loans to related parties are repayable on demand. It is the policy of the Company and its related parties to charge interest on intercompany loans by reference to saving interest rates or lending interest rates of local commercial banks plus a margin of 0.25 to 2.00

Amount due from related company amounting to Baht 450 million represents the receivable arising as a result of the Company's guarantee commitment to a bank in respect of loans the bank provided to The M. Group Public Company Limited.

In the third quarter of the year 2006, the Management considered to set the allowance doubtful debt for short-term loans to related parties (Micronetic Public Company Limited) because of the uncertainty of the cash repayment.

The Company's Board of Director's Meeting No.14/2006 held on September 27, 2006 passed the resolution approving IEC Mobile Co., Ltd., a subsidiary of the Company to dispose its major assets of IEC MOBILE consisting the fixed assets in mobile phone retailing business (Mobile Easy by IEC Shop) to Bliss-Tel Public Company Limited, an associated company. The Company will obtain the issuance of shares of the associated company in return. As at December 31, 2006, there is no aforesaid sale transaction of IEC Shop. In September 2006, the subsidiary ceased the sales operation in Modern Trade channel.

8. INVENTORY - NET

Inventory – net as at December 31, 2006 and 2005 was as follows:-

	(Unit : Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Finished goods and spare parts	448,607,353	375,040,063	271,834,976	372,208,391
Less : Allowance for obsolete inventories	(137,603,431)	(24,047,192)	(79,525,587)	(23,655,765)
Inventories - net	<u>311,003,922</u>	<u>350,992,871</u>	<u>192,309,389</u>	<u>348,552,626</u>

9. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

These represent investments in ordinary shares of the following companies:-

(Unit: Baht)

	Consolidated							
	2006				2005			
	Equity		Cost	Equity	Equity		Cost	Equity
	Paid up	interest			Paid up	interest		
capital	(percent)	method	method	capital	(percent)	method	method	
(Thousand Baht)				(Thousand Baht)				
<u>Investments in subsidiary companies</u>								
IEC Mobile Company Limited	100,000	100.0	90,900,000	-	100,000	100.0	90,900,000	-
IEC Technology Company Limited	50,000	65.0	32,500,000	-	50,000	65.0	32,500,000	-
IEC Asset Company Limited	285,000	100.0	279,999,930	-	285,000	100.0	279,999,930	-
IEC Business Partner Company Limited	250,000	100.0	250,000,000	-	-	-	-	-
IEC Easy Fix Company Limited	37,500	100.0	37,500,000	-	-	-	-	-
Inter Trade Asia Company Limited (100% held by IEC Business Partner Company Limited)	20,000	100.0	20,000,000	-	-	-	-	-
G.E.C. International (held by IEC Business Partner Company Limited)	5,000	55.0	2,750,000	-	-	-	-	-
Crytal Agro Company Limited	40,000	50.0	20,000,000	-	-	-	-	-
Total investments in subsidiary companies			733,649,930	-			403,399,930	-
<u>Investment in joint venture</u>								
IEC Internet Company Limited (65% held by IEC Asset Company Limited)	15,000	65.0	8,999,000	(37,694,615)	15,000	65.0	8,999,000	(36,137,422)
<u>Investment in associated company</u>								
Micronetic Public Company Limited	100,000	38.6	24,827,000	-	100,000	38.6	24,826,800	-
LOCUS Telecommunication Inc., Limited	638,790	36.4	239,234,000	-	553,000	25.3	147,000,000	148,918,515
BNB Inter Group Company Limited	90,000	27.8	75,000,000	-	-	-	-	-
Bliss-Tel Public Company Limited	230,000	24.3	252,630,000	209,387,315	-	-	-	-
OneNet Co., Ltd (Formerly, named as InfoComm (Thailand) Company Limited, 49% held by IEC Business Partner Company Limited and 21.4% held by LOCUS Telecommunication Inc., Limited. Part of 21.4% was disposed during 2006)	10,000	49.0	4,900,000	3,203,284	-	-	-	-
Total investment in associated company			596,591,000	212,590,599			171,826,800	148,918,515
Reserve for excess loss from investment in joint venture			-	37,694,615			-	36,137,422
Total investments accounted for under the equity method			1,339,239,930	212,590,599			584,225,730	148,918,515
Reserve for excess loss from investment in joint venture presented as:								
Reserve for excess loss from investment in joint venture				7,338,917				5,781,724
Allowance for doubtful accounts - joint venture				30,355,698				30,355,698
				37,694,615				36,137,422

	Equity				Equity			
	Paid up capital	interest (percent)	Cost method	Equity method	Paid up capital	interest (percent)	Cost method	Equity method
	(Thousand Baht)				(Thousand Baht)			
<u>Investments in subsidiary companies</u>								
IEC Mobile Company Limited	100,000	100.0	90,900,000	(136,726,415)	100,000	100.0	90,900,000	18,821,216
IEC Technology Company Limited	50,000	65.0	32,500,000	(53,242,920)	50,000	65.0	32,500,000	(40,584,547)
IEC Asset Company Limited	285,000	100.0	279,999,930	171,394,529	285,000	100.0	279,999,930	245,329,155
IEC Business Partner Company Limited	250,000	100.0	250,000,000	271,095,650	-	-	-	-
IEC Easy Fix Company Limited	37,500	100.0	37,500,000	26,952,640	-	-	-	-
Inter Trade Asia Company Limited								
(100% held by IEC Business Partner Company Limited)	20,000	100.0	-	(18,455,541)	-	-	-	-
G.E.C. International								
(held by IEC Business Partner Company Limited)	5,000	55.0	-	(172,443)	-	-	-	-
Crytal Agro Company Limited	40,000	50.0	20,000,000	20,000,000	-	-	-	-
Total investments in subsidiary companies			710,899,930	280,845,500			403,399,930	223,565,824
<u>Investment in joint venture</u>								
IEC Internet Company Limited								
(65% held by IEC Asset Company Limited)	15,000	65.0	-	(118,377,926)	15,000	65.0	-	(113,928,805)
<u>Investment in associated company</u>								
Micronetic Public Company Limited	100,000	38.6	24,826,800	-	100,000	38.6	24,826,800	-
LOCUS Telecommunication Inc., Limited	638,790	36.4	239,234,000	-	553,000	25.3	147,000,000	148,918,515
BNB Inter Group Company Limited	90,000	27.8	75,000,000	-	-	-	-	-
Bliss-Tel Public Company Limited	230,000	24.3	252,630,000	209,387,315	-	-	-	-
OneNet Co., Ltd								
(Formerly, named as InfoComm (Thailand) Company Limited, 49% held by IEC Business Partner Company Limited and 21.4% held by LOCUS Telecommunication Inc., Limited. Part of 21.4% was disposed during 2006)	10,000	49.0	-	(1,696,717)	-	-	-	-
Total investment in associated company			591,690,800	207,690,598			171,826,800	148,918,515
Provision for loss from investments accounted for under the equity method			-	328,671,962			-	154,513,352
Total investments accounted for under the equity method			1,302,590,730	698,830,134			575,226,730	413,068,886
Provision for loss from investments accounted for under the equity method presented as Provision for loss from investments accounted under the equity method in non-current liabilities				275,429,042				113,928,805
Allowance for doubtful accounts - Short-term loans to related parties				53,242,920				40,584,547
				328,671,962				154,513,352

Investments are valued net of allowance for impairment in value of investments.

In accordance with the equity accounting method, reserve for excess loss from investment in the joint venture and provision for loss from investments accounted for under the equity method is presented as a liability in the consolidated financial statements and the separate financial statements of the Company, respectively.

9.1 Investment in IEC Technology Company Limited

On February 6, 2002, the Company and IEC Technology Company Limited entered into a share purchase agreement with the Industrial Estate Authority of Thailand to sell the Company's investment in 1.75 million ordinary shares of IEC Technology Company Limited at a price of Baht 7.86 each, a total of Baht 13.76 million, to the Industrial Estate Authority of Thailand. As a result, the Company's shareholding in that company fell to 65 percent.

The above agreement stipulates the right of the Industrial Estate Authority of Thailand to sell all or part of its investments in IEC Technology Company Limited to the Company at a price of not less than Baht 7.86 per share if the listing of IEC Technology Company Limited on the Stock Exchange of Thailand cannot be implemented within 5 years from the date of the agreement or if the business is not able to be operated such that the Company has retained earnings for the fifth year from the date of the agreement.

9.2 Investment in IEC Business Partner Company Limited

On February 1, 2006, the Company established a subsidiary IEC Business Partner Company Limited, to carry the business of investment in various companies with the registered capital of Baht 250 million.

9.3 Investment in IEC Easy Fix Co., Ltd

According to the Minutes of the Board of Directors' Meeting No. 5/2006 dated March 29, 2006, the Board resolved to approve establishing a subsidiary IEC Easy Fix Co., Ltd. for carrying mobile phones and accessory repair business with a registered capital of Baht 50 million. The first call for paid-up capital will be at least 75% of the registered capital. On April 20, 2006, the subsidiary was established and registered.

9.4 Investment in Inter Trade Asia Co., Ltd

According to the Minutes of the Board of Directors' Meeting No. 5/2006 dated March 29, 2006, the Board resolved to approve establishing a subsidiary Inter Trade Asia Co., Ltd. for carrying the business of commerce, import and export of goods with a registered capital of Baht 40 million. The first call for paid-up capital will be at least 25% of the registered capital, whereas, IEC Business Partners Co., Ltd. shall hold 100% shares of the registered capital. On April 20, 2006 the subsidiary was established and registered.

9.5 Investment in OneNet Co., Ltd (Formerly InfoComm (Thailand) Co., Ltd)

According to the Minutes of the Board of Directors' Meeting No. 8/2006 dated May 24, 2006, the Board resolved to approve establishing a subsidiary InfoComm (Thailand) Co., Ltd. for providing and rendering online gaming services with a registered capital of Baht 10 million (100% paid-up), whereas, IEC Business Partners Co., Ltd. shall hold 49% and Locus Telecommunication Inc. Ltd. shall hold 51% of the registered capital. On June 27, 2006, the subsidiary was established and registered. On December 21, 2006, LOCUS Telecommunication Inc. Limited entered into a share purchase agreement to sell shares of OneNet Co., Ltd to August Asia Holdings Pte Ltd., resulting in the new parent company of OneNet Co., Ltd, August Asia Holdings Pte Ltd, holds 51% interest in the registered share capital.

According to the Minutes of the Extraordinary Shareholders Meeting No. 1/2006 and No. 2/2006 dated October 9 and 24, 2006 of InfoComm (Thailand) Co., Ltd, the shareholders resolved to change its name to OneNet Co., Ltd and the company registered for name change on December 15, 2006.

9.6 Investment in IEC Internet Company Limited

The terms of the shareholder agreement between IEC Asset Company Limited (formerly Asia Access (Thailand) Company Limited) and the Communications Authority of Thailand in respect of the investment in the ordinary shares of IEC Internet Company Limited, stipulate that Asia Access (Thailand) Company Limited is to procure sources of loans, guarantees or a loan guarantor so that IEC Internet Company Limited can operate its business in accordance with its objectives. Accordingly, Asia Access (Thailand) Company Limited recognized the full amount of the capital deficit and net loss of IEC Internet Company Limited, together with all liabilities in excess of its interest in the equity of that company. The outstanding balance amounting to Baht 37.69 million (December 31, 2005: Baht 36.14 million) is shown as "Reserve for excess loss from investment in joint venture" in non-current liabilities and "Allowance for doubtful account" in the consolidated financial statements.

9.7 Investment in Micronetic Public Company Limited

In the third quarter of year 2006, the Management considered to set the allowance for loss on guarantee on loan of Micronetic Public Company Limited of Baht 15 million because the associated company has uncertainty on the ability to repay its debt.

9.8 Investment in Locus Telecommunications Inc. Limited

On March 31, 2006, the Company entered into an ordinary share purchase agreement with the existing shareholder of Locus Telecommunication Inc. Limited, buying 92,234 shares (par value of Baht 1,000 each), totaling of Baht 92.23 million, resulting in an increase of interest from 25.32% to 42%.

The Company has guaranteed loans due to a financial institution for Locus Telecommunication Inc., Limited for an amount of USD 2 million (credit line: Baht 560 million). The Company pledged its investment in available-for-sale securities (common shares of Power Line Engineering Public Company Limited of 24,310,600 shares) to the said financial institution under the condition that if the market price of the securities was lower than Baht 6.83 per share, the Company would pledge additional shares in order to have a total collateral securities of not lower than Baht 160.13 million. In this regard, the company related to the existing shareholders accepted to forgive the debt in the amount of USD 2.34 million, which Locus Telecommunication Inc., Limited payable to the company related to the existing shareholder, and part of the liability of USD 700,000 will be transformed to equity of Locus Telecommunication Inc. Limited. In the third quarter of the year 2006, the Company pledged the cash at bank of Baht 80 million to guarantee loans due to the said financial institution instead of the available-for-sale securities.

In the third quarter of the year 2006, the Management had considered the current potential of the associated company and the expected future economic value on the project. Due to the delay on the installation and delivery of some main projects under operated which caused the delay from the plan by approximately one year to one and half year and the associated company, therefore, has been unable to get the new projects, and for the conservative, the Management decided to provide for the impairment loss on the investment of Baht 201.12 million.

The Capital Increase in Locus Telecommunication Inc. Limited

According to the Minutes of the Extraordinary Shareholders Meeting No. 7/2006 and No. 8/2006 dated September 27, 2006 and October 12, 2006 of Locus Telecommunication Inc. Limited, the shareholders resolved to increase the registered capital from Baht 553 million to Baht 579.20 million by issuing new common shares of 26,200 shares at Baht 1,000 par value, for a total amount of Baht 26.2 million. The Company registered an increase of capital on October 24, 2006. This resulted in the Company's stake being decreased from 42% to 40.09%

According to the Minutes of the Extraordinary Shareholders Meeting No. 9/2006 and No. 10/2006 dated October 20, 2006 and November 4, 2006 of Locus Telecommunication Inc. Limited, the shareholders resolved to increase the registered capital from Baht 579.2 million to Baht 638.79 million by issuing new common shares of 59,590 shares at Baht 1,000 par value, for a total amount of Baht 59.59 million. The Company registered an increase of capital on November 6, 2006. This resulted in the Company's stake being decreased from 40.09% to 36.36%

9.9 Investment in BNB Inter Group Company Limited

On July 28, 2006, the Company acquired ordinary shares of BNB Inter Group Company Limited for 2,500,000 shares (par value: 10 Baht) at a price of Baht 30 per share, for a total acquisition cost of Baht 75 million, resulting in the Company holding 27.8% interest.

Because of the delay in the finalization of the new project operating agreement, and for the conservative, the Management considered to set the impairment allowance of the investment of Baht 75 million in the financial statements for the year ended December 31, 2006.

9.10 Investment in Bliss-Tel Public Company Limited

On August 11, 2006, the Company acquired ordinary shares of Bliss-Tel Public Company Limited for 56 million shares, or 24.35% of the registered and paid-up capital, at a price of Baht 4.5 per share, for a total acquisition cost of Baht 252 million. The surplus of cost over the booked value as at the investment date is Baht 126.23 million. The Company has a policy to amortize the surplus within five years.

9.11 Investment in Inter Trade Asia (UAE) LLC

According to the Minutes of the Board of Directors' Meeting No. 8/2006 dated May 24, 2006, the Board resolved to approve Inter Trade Asia Co., Ltd. to co-invest and establish Inter Trade Asia (UAE) LLC to be registered in the United Arab Emirates for operating foreign trade with a registered capital of AED 300,000 (equivalent to Baht 3,150,000), whereas, Inter Trade Asia Co., Ltd. shall hold 49% of the shares. As at December 31, 2006, there was no registration and paid up capital for the new co-invest company.

9.12 Investment in G.E.C. International Co., Ltd

On October 26, 2006, IEC Bussiness Partner Company Limited, a Subsidiary, established a new subsidiary G.E.C. International Co., Ltd to engage in an electric engineering and machine business in Middle East Asia by registered capital of Baht 5 million. The first paid-up capital will be at least 100% of the registered capital, whereas, IEC Bussiness Co.,Ltd shall hold 55%, G.E.C. Engineering Co.,Ltd shall hold 30% and Total Engineering Development Co.,Ltd shall hold 15%.

9.13 Investment in Crystal Agro Co., Ltd

On June 20, 2006, the Company advanced a payment of Baht 20 million following the memorandum of understanding with the Cambodia-registered company dated June 1, 2006 in order to implement the business plan in contributing investment in the concession cultivation project in Cambodia. The Management invested in the ordinary shares of Crystal Agro Co., Ltd. in a proportion of 50% of the registered capital of USD 1 million (equivalent to approximately Baht 40 million) by using the advance payment of Baht 20 million. The registration of change in capital structure was made on November 28, 2006.

From the investment in Crystal Agro Co., Ltd., the Company has the surplus at investment date on the investment in Crystal Agro Co., Ltd., according to the unaudited financial statements of Baht 30 million which the Company has policy to amortize in 10 years.

10. OTHER LONG-TERM INVESTMENTS

The investment in other companies represents investments in ordinary shares of the following companies:-

(Unit: Baht)

	Paid up capital	Equity interest (percent)	Consolidated		The Company Only	
			2006	2005	2006	2005
(Million Baht)						
Sri U-Thong Company Limited	1,084	-	21,000,000	21,000,000	21,000,000	21,000,000
Kasalong Hotel and Resort Company Limited	170	2.4	4,000,000	4,000,000	4,000,000	4,000,000
Ethnic Earth.Com Holding Company Limited	68	11.8	8,995,000	8,995,000	8,995,000	8,995,000
Application Hosting Services Company Limited	23	8.9	32,637,479	-	-	-
Others			525,000	525,000	525,000	525,000
			67,157,479	34,520,000	34,520,000	34,520,000
Less: Allowance for impairment in value of investments			(33,995,000)	(33,995,000)	(33,995,000)	(33,995,000)
Investments in other companies - net			33,162,479	525,000	525,000	525,000

Investment in Application Hosting Services Company Limited

On February 15, 2006, IEC Business Partners Company Limited (subsidiary of IEC) invested in common shares in Application Hosting Services Co., Ltd., totaling 53,900 shares (par value of Baht 100 each) at Baht 1,700 per share, amounted totaling Baht 91.63 million. This caused the Company to hold 49% equity in Application Hosting Service Co., Ltd. The surplus of cost over the book value as at the investment date in the Company is Baht 53.14 million. The Company has a policy to amortize the surplus within ten years.

On September 25, 2006, another shareholder of Application Hosting Services Co., Ltd. sold his shares to Dragon One Public Co., Ltd., resulting in Dragon One Public Co., Ltd. holding 51% interest in registered share capital.

According to the Minutes of the Extraordinary Shareholders Meeting No. 5/2006 and No. 6/2006 dated September 11, 2006 and October 26, 2006 of Application Hosting Services Co., Ltd., the shareholders resolved to increase the registered capital from Baht 11 million to Baht 23 million by issuing new common shares of 120,000 shares at Baht 100 per share for a total amount of Baht 12 million. The Company registered an increase of capital on October 9, 2006, and IEC Business Partner Company Limited waive the right to buy the increased shares of such company, resulting in the Company' s stake being decreased from 49% to 23.43%.

On August 16, 2006, IEC Business Partners Company Limited, entered into the agreement to buy and to sell share with Dragon One Public Co., Ltd., totaling 53,900 shares or 49% of the registered and paid-up capital at Baht 2,454.54 per share, for a total amount of Baht 132.30 million.

On August 18, 2006 and December 15, 2006, IEC Business Partners Company Limited received the money from selling shares of Baht 82.30 million for a total 33,530 shares at Baht 2,454.54 per share and the its subsidiary transfer the share to such company on December 15, 2006, resulting in gain on sales of investments amounted of Baht 30.03 million and the subsidiary's stake being decreased from 23.43% to 8.86%. The Company, therefore, reclassified the investments to other long – term investments.

As at December 31, 2006, the subsidiary has the remaining balance of shares in Application Hosting Service Co., Ltd. of 20,370 shares or 8.86% of the registered and paid-up capital which the subsidiary will receive the remaining amount within January 31, 2007 according to the additional memorandum of the agreement to buy and to sell share dated December 15, 2006. Under the term of the agreement, if the buyer breach the agreement by not buying the remaining share and paying Baht 50 million within January 31, 2007, the buyer will pay interest to seller at the rate of 7.5% per annum calculating from January 31, 2007.

On January 30, 2007, Dragon One Public Co., Ltd., entered into memorandum for extending the term of payment capital to March 2007.

11. PROPERTY AND EQUIPMENT- NET

Property and equipment – net as at December 31, 2006, consisted of:

(Unit : Baht)

	Consolidated				Total
	Land and buildings	Leasehold improvement	Tools, equipment, furniture, fixtures, office equipment and vehicles	Leasehold improvement in progress	
Cost :					
January 1, 2006	310,981,167	120,662,563	246,411,709	9,679,000	687,734,439
Additions / transfer in	-	233,968,090	44,316,520	81,883,686	360,168,296
Disposal / write off / transfer out	-	(10,230,101)	(19,613,665)	(91,562,686)	(121,406,452)
December 31, 2006	310,981,167	344,400,552	271,114,564	-	926,496,283
Accumulated depreciation :					
January 1, 2006	(157,832,607)	(91,401,906)	(205,159,175)	-	(454,393,688)
Depreciation charge for the year	(14,011,760)	(16,049,888)	(23,755,687)	-	(53,817,335)
Disposal / write off	-	67,437	17,632,183	-	17,699,620
December 31, 2006	(171,844,367)	(107,384,357)	211,282,679	-	(490,511,403)
Allowance for impairment loss :					
January 1, 2006	-	(4,989,050)	(419,800)	-	(5,408,850)
Adjustment on allowance for impairment loss during the year	-	2,674,851	108,965	-	2,783,816
December 31, 2006	-	(2,314,199)	(310,835)	-	(2,625,034)
Net book value :					
December 31, 2006	139,136,800	234,701,996	59,521,050	-	433,359,846
December 31, 2005	153,148,560	24,271,607	40,832,734	9,679,000	227,931,901
Depreciation for the year (included in the earnings statements) :					
Year 2006					53,817,335
Year 2005					45,625,706

As at December 31, 2006, certain building and equipment items have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 199 million (2005: Baht 207 million).

(Unit : Baht)

	The Company Only				
	Land and buildings	Leasehold improvement	Tools, equipment, furniture, fixtures office equipment and vehicles	Leasehold improvement in progress	Total
Cost :					
January 1, 2006	310,981,167	117,078,870	227,541,889	279,000	655,880,926
Additions / transfer in	-	117,635,931	10,371,812	-	128,007,203
Disposal / write off / transfer out	-	(57,420,910)	(39,157,028)	(279,000)	(96,856,938)
December 31, 2006	310,981,167	177,293,351	198,756,673	-	687,031,191
Accumulated depreciation :					
January 1, 2006	(157,832,607)	(91,243,828)	189,040,904	-	438,117,339
Depreciation charge for the year	(14,011,760)	(8,917,523)	(15,716,009)	-	(38,645,292)
Disposal / write off	-	37,864,530	28,690,200	-	66,554,730
December 31, 2006	171,844,367	62,296,821	176,066,713	-	410,207,901
Allowance for impairment loss					
January 1, 2006	-	(4,989,050)	-	-	(4,989,050)
Adjustment on allowance for impairment loss during the year	-	2,674,851	-	-	2,674,851
December 31, 2006	-	(2,314,199)	-	-	(2,314,199)
Net book value :					
December 31, 2006	139,136,800	112,682,331	22,689,960	-	274,509,091
December 31, 2005	153,148,560	20,845,992	38,500,985	279,000	212,774,537
Depreciation for the year (included in the earnings statements) :					
Year 2006					38,645,292
Year 2005					39,947,969

The Company mortgaged its proprietorship in leased office buildings with a bank to secure its credit facilities.

As at December 31, 2006, the property of the Company and its subsidiaries with the booked value of Baht 211.40 million and Baht 97.63 million in the consolidated financial statements and the separate financial statements, respectively, are located on the leasehold which is mortgaged to a bank (Note 15 and 24.3)

12 DEPOSITS

12.1 DEPOSITS FOR ACQUISITION OF ASSETS

On December 28, 2006, IEC Business Partners Company Limited, a subsidiary, paid deposit for acquisition of assets of International Gasohol Corporation Limited of Baht 5 million following the additional memorandum of understanding (1st). On January 29, 2007, the subsidiary entered into an agreement to buy and sell the assets with such company (Note 27).

12.2 DEPOSITS FOR PURCHASE OF COMPUTER SOFTWARE

On May 25, 2006, the Company entered into a licensing agreement to use computer software in providing Mobile Casting Services to mobile phone users across Thailand, with a local company acting as the authorized agent of the copyright owner in Israel. The licensing fee for using such program is worth Baht 80 million, payable at 30% at the time of quotation and 40% at the deliver date and 30% at the acceptance of the system.

As at December 31, 2006, the company already paid an amount Baht 60.5 million. Considering the progress of the program development and the uncertainty of the future cash flow to be generated from this program, the Management considered to set up an impairment to cover the full amount of Baht 60.5 million.

13 CONCESSION ON AGRO-INDUSTRY PROJECT

Crytal Agro Company Limited (a subsidiary in Cambodia) was granted the concession by the Ministry of Agriculture, Forestry and Fisheries of Cambodia to utilize land of 8,000 hectares (equivalent to approximately 50,000 Rais) located in the district of Samrong Oddar, Mean Chey province for Agro-Industry Crops plantation and factory for a period of 70 years starting from July 17, 2006. Under the term the concession agreement, the Subsidiary is committed to pay an annual land fee at the rate defined by the Royal Government of Cambodia. During the year 2006, the Subsidiary incurred payments for the acquisition of the concession of US\$ 1 million (equivalent to Baht 40 million). The Subsidiary has policy to amortize the acquisition cost over the term of the concession.

14 COST OF PURCHASE OF SUBSCRIBERS - NET

(Unit: Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Cost of purchase of subscribers	1,500,000,000	1,500,000,000	1,500,000,000	1,500,000,000
Less: Accumulated Amortization	(869,588,555)	(789,168,232)	(869,588,555)	(789,168,232)
Less: Allowance for impairment	(300,000,000)	(165,000,000)	(300,000,000)	(165,000,000)
Cost of purchase of subscribers - net	330,411,445	545,831,768	330,411,445	545,831,768

Due to the intense competition in the wireless telecommunication services business and changes in behavior among mobile phone users affected the income that the Company generates from being an airtime provider. The Company's management has set an additional provision for impairment loss on "Cost of purchase of subscribers" of Baht 135 million for the year 2006, based on the present value of net cash flow from estimated revenue generated from airtime provider.

15 LEASEHOLD RIGHTS

(Unit:Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Leasehold rights	283,828,183	284,021,234	82,093,423	82,093,424
Less: Accumulated Amortization	(66,936,259)	(51,076,167)	(51,277,589)	(47,535,316)
Less: Allowance for impairment	(7,000,000)	-	-	-
Leasehold rights - net	209,891,924	232,945,067	30,815,834	34,558,108

In the second quarter of year 2006, the management considered to set up an impairment loss on the leasehold rights of Baht 7 million according to the discounted cash flows on the projection of the rental operation.

The leasehold is located on land which is mortgaged with a bank to secure the liabilities of the landlord having with the bank.

16 CONVERTIBLE DEBENTURES

	(Unit:Baht)			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Convertible debentures	20,616,250	80,911,250	20,616,250	80,911,250
Less: Current portion	(10,321,250)	(60,321,250)	(10,321,250)	(60,321,250)
Net	<u>10,295,000</u>	<u>20,590,000</u>	<u>10,295,000</u>	<u>20,590,000</u>

As at December 31, 2006, the outstanding balance of the convertible debentures, which reached maturity in the year 2000, comprises 20,616 convertible debentures (December 31, 2005: 80,911 convertible debentures) of Baht 1,000 each, a total of Baht 20.62 million (December 31, 2005: Baht 80.91 million). The trustee of the debenture holders filed a lawsuit with the Civil Court as described in Note 25.1.

As at December 31, 2006, Baht 20.59 million (December 31, 2005: Baht 30.87 million) of the convertible debentures represents debentures issued to a local bank. The Company entered into a debt restructuring agreement with that bank on January 30, 2001, with the outstanding balance of debts as of the agreement date comprising principal of Baht 82.4 million and accrued interest of Baht 13.9 million. The principal was to be repaid in quarterly installments of Baht 2.57 million each over a period of 8 years commencing from March 31, 2001 and under the debt restructuring agreement, the remaining debt is then to be forgiven by the bank if the Company has made payment without default. However, the Company recognized the gain on the debt restructuring in full in the year 2001.

During 2006, the Company had negotiated with 6 holders with the principal of Baht 50 million and accrued interest of 36.33 million, by waiving interest of 14.64 million, for a repayment of Baht 71.69 million. The Company repaid to these six debenture holders on August 10, 2006 , September 29, 2006 , November 17 , 2006 , and December 27 , 2006 resulting in the outstanding convertible debentures balance as at December 31, 2006 of Baht 0.03 million (December 31, 2005 : Baht 50.03 million) and outstanding accrued interest was fully paid already (December 31, 2005 : Baht 33.50 million). The Company reclassified the convertible debentures and accrued interest for convertible debentures as current liabilities in balance sheet.

17 DEPOSIT RECEIVED FOR WOOD

On July 24, 2006 and July 25, 2006, the Company receives advance for wood amount of Baht 50 million whereby the Company entered into a sales agreement with a local company to sell the quantity of wood bought from a foreign company to the local company within a period of 2 years with a contract value of Baht 220 million having the following payment term. (see Note 3).

Within:	Million Baht
July 24, 2006	50
November 15, 2006	35
November 30, 2006	30
December 10, 2006	30
December 25, 2006	30
January 5, 2007	25
January 15, 2007	20

The buyer has to place a bank guarantee at least Baht 112.35 million to secure the payment from 4th period to 7th period above by November 30, 2006. As at December 31, 2006 the Company received advance for wood totaling Baht 50 million and not yet receive the aforesaid bank guarantee.

The Company has policy to recognize the sales of wood when the buyer cuts the wood and transports outside the concession area. As at December 31, 2006, that wood has not been cut and transported outside the concession area.

18. SHARE CAPITAL/WARRANTS

On January 6, 2006, the Company registered an increase of capital with the Ministry of Commerce from exercising the 12,100,000 units of warrant, allotting for new 121,000,000 ordinary shares at one Baht per share. As a result, total paid-up share are 1,454,200,000 or Baht 1,454,200,000.

On January 17 and 18, 2006, the Company received share subscription from the private placement from two investors offering of 27.53 million shares of the new registered capital at Baht 5.55 per share, a total of Baht 152.79 million. The Company registered the resulting increase in paid-up share capital with the Ministry of Commerce on January 20, 2006. The increase of capital resulted in an added premium on share capital for Baht 125.26 million, and the Company accounted the expense arisen from the increase of capital of Baht 3.13 million by deducted from the premium on share capital.

In addition, during the first quarter, the right of warrants to buy ordinary shares offered to specific investors were exercised for 9,650,000 warrants, allotting as new ordinary shares for 96,500,000 shares, totaling Baht 96,500,000. The Company registered the partial increase of capital for 96,000,000 shares with the Ministry of Commerce during the quarter, the remaining 500,000 shares were registered as a capital increase on April 12, 2006. As a result, all warrants have been exercised as of March 31, 2006.

On August 2, 4 and 7, 2006, the Company received share subscription from the private placement from four investors offering of 150 million shares of the new registered capital at Baht 3.17 per share, a total of Baht 475.50 million. The Company registered the resulting increase in paid-up share capital with the Ministry of Commerce on August 8, 2006. The increase of capital resulted in an increase in premium on share capital of Baht 325.50 million, and the Company accounted the expense arisen from the increase of capital of Baht 6.29 million by deducted from the premium on share capital.

On August 15, 2006, the Company received share subscription from the private placement from three investors who are directors and shareholders of Bliss-Tel Public Company Limited offering of 21 million shares of the new registered capital at Baht 4.50 per share, a total of Baht 94.50 million. The Company registered the resulting increase in paid-up share capital with the Ministry of Commerce on August 17, 2006. The increase of capital resulted in an increase in premium on share capital of Baht 73.50 million, and the Company accounted the expense arisen from the increase of capital of Baht 0.5 million by deducted from the premium on share capital.

19. PREMIUM ON SHARE CAPITAL

On December 9, 2005, the extraordinary meeting of the Company's shareholders No. 2/2005 passed a resolution to allocated Baht 623,954,754 of the premium on share capital to eliminate the Company's deficit as at 30 September 2005. This allocation has not affected shareholders' equity.

20. STATUTORY RESERVE

According to the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve of at least 5 percent of its net profit, after deducting accumulated deficit brought forward (if any), until such reserve reaches 10 percent of its registered share capital. The statutory reserve could not use for dividend payment.

21. RECONCILIATION OF DILUTED LOSS PER SHARE

	For the the years ended December 31,					
	Net loss		Weighted average number of ordinary shares		Loss per share	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic loss per share						
Net loss	(981,663)	(243,647)	1,615,178	887,664	(0.61)	(0.28)
Effect of dilutive potential ordinary shares						
Warrants period 2005: 9,650,000 units	-	-	-	41,980		
Diluted loss per share						
Net loss of ordinary shareholders assuming potential ordinary shares are converted	(981,663)	(243,647)	1,615,178	929,644	(0.61)	Anti - diluted

22. FINANCIAL INFORMATION BY SEGMENT

During 2005, most of the operations of the Company, subsidiaries and joint venture involve a single industry segment, the telecommunications business, and are carried on in the single geographic area of Thailand. As a result, all the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned industry segment and geographic area.

During the year ended December 31, 2006, the Company generated sales of News Link Application used for mobile phones from overseas customers of Baht 60.20 million. The relevant cost was Baht 3 million.

The operations for year ended December 31, 2006 separated by business segment are as follows:

(Unit: Baht)

	Consolidated				Total
	Telecommunication	Lease of property and service	Investment in security	Commercial Business	
Sales and service income	4,155,983,844	29,244,787	1,923,086	-	4,187,151,717
Cost of sales and service income	(3,941,609,237)	(52,639,060)	(1,792,064)	-	(3,996,040,361)
Gross Profit	214,374,607	(23,394,273)	131,022	-	191,111,356
Selling and administrative expenses	(592,228,765)	(21,533,854)	(101,688,241)	(15,987,710)	(731,438,570)
Gain (loss) on sales of investment in trading securities	15,503,045	-	(106,032,292)	-	(90,529,247)
Gain on sales of investment in available-for-sale securities	-	-	208,059,715	-	208,059,715
Unrealised gain (loss) on investment in trading securities	(12,245,532)	(24,556,799)	2,901,730	-	(33,900,601)
Gain on redemption of debenture	14,643,509	-	-	-	14,643,509
Dividend income	-	3,000,000	4,293,180	-	7,293,180
Gain from sales investment in subsidiary	-	-	30,025,716	-	30,025,716
Gain on sales of fixed assets	4,082,053	-	-	-	4,082,053
Gain on exchange rate	7,887,181	-	-	-	7,887,181
Other income	17,739,184	1,199,829	9,744	-	18,948,757
Interest income	4,393,212	3,899,192	3,140,545	34,102	11,467,051
Directors' remuneration	(7,087,204)	(910,000)	(1,470,000)	(2,120,000)	(11,587,204)
Provision for loss from lawsuits	(2,670,881)	-	-	-	(2,670,881)
Loss on guarantee on loan of associated companies	(15,000,000)	-	-	-	(15,000,000)
Loss from impairment of investment in associated companies	(276,115,038)	-	-	-	(276,115,038)
Loss from impairment of deposit for purchase of computer software	(60,500,000)	-	-	-	(60,500,000)
Loss from impairment of cost of purchase of subscribers	(135,000,000)	-	-	-	(135,000,000)
Share of loss from investments accounted under the equity method	(86,534,070)	-	-	-	(86,534,070)
Loss on impairment of leasehold right	-	(7,000,000)	-	-	(7,000,000)
Interest expenses	(15,139,079)	-	(472,197)	(345,934)	(15,957,210)
Corporate income tax	-	-	(9,089,728)	-	(9,089,728)
Gain (loss) before Minority Interest	(923,897,778)	(69,295,905)	29,809,194	(18,419,542)	(981,804,031)
Minority Interest	141,090	-	-	-	141,090
Net gain (loss)	(923,756,688)	(69,295,905)	29,809,194	(18,419,542)	(981,662,941)

Assets as of December 31, 2006 separated by business segment are as follows:

(Unit: Baht)

	Consolidated					Total
	Telecommunication	Lease of property and service	Investment in security	Commercial Business	Agro Business	
Investments in trading securities	102,638,000	70,500,000	44,718,087	-	-	217,856,087
Investments in available-for-sale securities	175,230	-	462,114	-	-	637,344
Trade accounts receivable - net	128,853,517	10,890,990	122,700	-	-	139,867,207
Inventories - net	304,560,325	-	6,443,597	-	-	311,003,922
Others current assets	141,642,458	7,616,049	48,065,469	4,115,847	6,798,424	208,238,247
Deposit for purchase of assets	-	-	5,000,000	-	-	5,000,000
Computer software - net	2,743,091	-	-	-	-	2,743,091
Cost for purchase of subscribers - net	330,411,445	-	-	-	-	330,411,445
Property, plant and equipment - net	300,990,324	97,190,937	31,917,988	3,260,597	-	433,359,846
Leasehold rights - net	30,815,834	179,076,090	-	-	-	209,891,924
Concession on agro-industry project	-	-	-	-	38,449,955	38,449,955
The surplus of investment cost over book value at investment date - net	30,343,401	-	-	-	-	30,343,401
Other assets	340,478,633	5,270,415	59,925,869	-	-	405,674,917
Total assets	1,713,652,258	370,544,481	196,655,824	7,376,444	45,248,379	2,333,477,385

23. EMPLOYEES AND RELATED COSTS

	Consolidated		The Company Only	
	2006	2005	2006	2005
Number of employees at end of year (persons)	636	817	161	774
Employee costs for the year (Thousand Baht)	204,886	192,522	103,997	175,615

24. COMMITMENTS AND CONTINGENT LIABILITIES

As at December 31, 2006, the Company, subsidiaries and joint venture had the following outstanding commitments and contingent liabilities:

24.1 The Company and its subsidiaries had outstanding commitments of approximately Baht 257.98 million in respect of performance bonds and bid bonds issued by banks on behalf of the Company and its subsidiaries (the Company only: Baht 240.90 million).

- 24.2 The Company acts as a guarantor for letters of guarantee issued by banks on behalf of an associated company (Micronetic Public Company Limited) and for credit facilities of the associated company, totaling Baht 20.0 million. As at December 31, 2006, the Company has provided a reserve for loss from guarantee on loan of associated company of Baht 15 million.
- 24.3 The Company and its subsidiaries have commitments under long-term lease and service agreements. Summarized below are the future minimum rental and service fees payable under the agreements:

<u>Year</u>	<u>Million Baht</u>
2007	46
2008 onwards	609
Total	655

The above amounts is included the commitment of a subsidiary when it entered into long-term lease and service agreements with IEC Complex Building’s owners on September 16, 2005 for the leasehold rights. Under these agreements, rental and service fees amounting to Baht 1.3 million per month are to be paid in the first year and such rate will be increased periodically over the term of the agreements. The agreements are for a period of 16 years 8 months, expiring in May 2022.

- 24.4 The Company has commitments under the “Airtime Provider Agreement” with Total Access Communication Public Company Limited (“TAC”). The agreement stipulated certain covenants for the Company such as an obligation to be responsible for bad debts arising from telephone services of TAC, as per invoices issued to customers and bad debts arising from fraud registration by customers.
- Also, the Company has commitments arising from fraud registration by customers through SIM registration services rendered by the Company. The contingent penalty will be charged upon the agreed condition of each operator.
- 24.5 The Company is bounded by guarantee obligations over the liabilities of a subsidiary company (IEC Mobile Co., Ltd.) against a financial institution, for a total amount of Baht 30 million.
- 24.6 The Company pledges the cash at bank of Baht 80 million to secure the liabilities of Locus Telecommunications Inc. Ltd. having with a financial institution for an amount of USD 2 million in order to replace the collateral (see Notes 4 and 7).
- 24.7 The Company has commitments in relation to the licensing agreements to use computer software in providing Mobile Casting services of Baht 19.50 million.
- 24.8 The Company and subsidiaries have commitment on the construction contracts of Baht 23 million.

25. LAWSUITS

25.1 On July 23, 1999, the trustee of the debenture holders filed a lawsuit with the Civil Court demanding that the Company pay Baht 427.8 million of principal and Baht 21.8 million of interest, or a total of Baht 449.6 million, to the debenture holders. The Court of First Instance ruled in favor of the plaintiff, ordering the Company to pay an amount of Baht 449.6 million plus interest at 8 percent per annum on principal of Baht 427.8 million as from the filing date. In December 2001, the Company lodged appeals with the Court of Appeals in respect of several issues, including negotiation of compromise agreements with some debenture holders and the redemption of some debentures, petitioning the court to deduct the value of the debentures already redeemed from the amount claimed by the plaintiff. In December 2004, the Court of Appeals found against the Company, and with regard the mentioned compromise agreements, the court's opinion was that the trustee of the debenture holders should call back the amounts which the Company paid under the compromise agreements and combine with the asset charged to the debentured as a whole, for further distribution. In June 2005, the Company submitted the case to the Supreme Court. The case is currently in the process of being heard by the Supreme Court.

During 2006, the Company had negotiated with 6 holders with the principal of Baht 50 million and accrued interest of 36.33 million, by waiving interest of 14.64 million. The Company already paid for the 6 holders during 2006 (See Notes16).

The Company already redeemed the debentures by paying to all debenture holders. The trustee of the debenture holders is in process of requesting the confirmation from all debenture holders to confirm that there will be no more lawsuits against the Company so that the Company will be able to release the case from the Supreme Court. The Company expected that the process will be finished within the first quarter of year 2007.

25.2 Since January 2004, the Customs Department has sent notices to the Company seeking the return of approximately Baht 69.8 million (including interest accrued up to December 2005) in tax subsidiaries provision in the form of tax coupons, which the Company received from 9 companies and used for making payment of excise tax, on the grounds that the other companies had fraudulently acquired the tax coupons from the Customs Department. Since August 2004, the Customs Department has filed lawsuit against the Company with the tax courts in 30 cases, seeking to recover approximately Baht 46.8 million (including interest accrued up to December 2005). Suits have not yet been filed over the remaining amount of Baht 23.0 million (including interest). To date, the Court of First Instance has ruled in favor of the plaintiff in 18 cases and ruled in favor of the Company in 12 cases, and these cases are now in the process of being heard by the Supreme Court. However, for prudential reasons,

as of December 31, 2006 the Company already recorded all contingent liabilities amounting Baht 72.45 million (2005 : Baht 69.78 million) in relation of the above litigation in its accounts.

On January 18, 2007, the Supreme Court justified for 2 cases and the Company had to pay tax to the custom department according to the condition on the request for transferring right on tax coupon which stated that the Company will take responsibility for any damage if there is any fraud on the refund of tax coupon.

Accordingly, the Supreme Court calculated interest by starting from the beginning of the year 2004. The Company already booked the liability of Baht 0.58 million in the account.

26. FINANCIAL INSTRUMENTS

26.1 Financial risk management and policies

The Company and subsidiaries are exposed to risks from changes in market interest rates and in currency exchange rates, and from nonperformance of contractual obligations by counterparties. The Company and subsidiaries use derivative instruments, as and when they consider appropriate, to manage such risks. They do not hold or issue derivative instruments for speculative or trading purposes.

26.2 Interest rate risk

The interest rate risk is the risk that future movements in market interest rates will affect the results of the Company's and subsidiaries' operations and their cash flows. The Company and subsidiaries exposure to interest rate risk relates primarily to their cash and cash equivalents, fixed deposits, loans to related parties, bank overdrafts, and loan from financial institutions. They do not use derivative financial instruments to hedge such risk.

26.3 Foreign currency risk

A summary of foreign currency assets and liabilities that were not hedged as at December 31, 2006 is set out below:-

		<u>Amount</u>
<u>Liabilities</u>		
Assets denominated in Japanese Yen	JPY	70,000
Assets denominated in US dollars	USD	2,364,077

26.4 Credit risk

The Company and subsidiaries are exposed to credit risk primarily with respect to trade accounts receivables and loans to related parties. However, because the Company and subsidiaries have prudent credit policies with regard to receivables and diversified customer base, they do not anticipate material losses as a result of debt collection to materially exceed the allowances for doubtful debts and provision for uncollectible loans already set up in the accounts.

26.5 Fair value

Since the majority financial assets are short-term and that the loans carry interest at rates close to current market rate, the managements of the Company and subsidiaries believe that the fair value of their financial assets and liabilities do not materially differ from their carrying value.

27. SUBSEQUENT EVENTS

The capital increase in One-net Company Limited

According to the Minutes of the Extraordinary Shareholders Meeting No. 1/2007 and No. 2/2007 dated January 15, 2007 and February 5, 2007, respectively, of OneNet Company Limited, the shareholders resolved to increase the registered capital from Baht 10 million to Baht 12 million by issuing new common shares of 200,000 shares at Baht 10 par value, for a total amount of Baht 2 million. The Company registered an increase of capital on February 16, 2007, and IEC Business Partner Company Limited waived the right to buy the increased shares, resulting in a decrease of interest from 49% to 40.83%.

The investments in acquisition of assets in International Gasohol Corporation Limited

On January 29, 2007, IEC Business Partner Company Limited (a subsidiary of the Company) entered into agreement to acquire assets of International Gasohol Corporation Limited consist of land, building and premises and machineries total amount of Baht 465 million pursuant to the Company's Board of Director's Meeting No. 1/2007 held on January 26, 2007

The sales of suites in SM Tower Condominium

The Company's Board of Director's Meeting No.1/2007 held on January 26, 2007 passed the resolution in approving the Company to sell the Company's 25 suites in SM Tower Condominium, with a total area of 6,251.38 square meters to Chansiri Real Estate Co., Ltd., at Baht 32,000 per square meter, totally worth of Baht 200.04 million. The agreement is still under the process of preparation.

28. RECLASSIFICATION

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

29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's authorized directors on February 28, 2007.