

GENERAL ENVIRONMENTAL CONSERVATION PUBLIC COMPANY LIMITED AND SUBSIDIARIES
Notes to Interim Financial Statements
March 31, 2007 “Reviewed”
December 31, 2006 “Audited”
(Including Notes to Interim Financial Statements for March 31, 2006 “Reviewed”)

1. BASIS OF INTERIM FINANCIAL STATEMENT PREPARATION AND PRINCIPLES OF CONSOLIDATED

These interim financial statements are prepared as additional information to financial statements for the year ended December 31, 2006 with the emphasis on the more current information about activities, events and situations, not a duplicate of information previously reported. These interim financial statements should therefore be read in conjunction with the financial statements for the year ended December 31, 2006.

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

- 99.99% directly owned subsidiary namely Asia Patana Land Co., Ltd., which was incorporated as a limited company in Thailand on January 14, 2004, with Baht 200 million authorized share capital to engage in the business of buy, sale, and land development.

- 99.99% directly owned subsidiary namely Genco Engineering Co., Ltd., which was incorporated as a limited company in Thailand on February 17, 2004, with Baht 20 million authorized share capital to engage in the business of waste selection and management of waste for recycling facilities.

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

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

The consolidated balance sheet as of December 31, 2006, the related consolidated statements of changes in shareholders' equity, income and cash flows for the three - month period ended March 31, 2006, included the accounts of 99.99% directly owned subsidiary namely General Laboratory Co., Ltd., had registered with the Ministry of Commerce to dissolve the Company on September 27, 2006 and had completed the registration of liquidation on January 19, 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements are prepared by using the same accounting policies as we used for the financial statements for the year ended December 31, 2006, with the following additional and changed accounting policy :

2.1 Investments in subsidiary companies

Investments in subsidiary companies in the separate financial statements are recorded under the cost method. Allowance for impairment of investments have been provided by taking the net book value and other relevant factors into consideration.

3. CHANGE IN ACCOUNTING POLICY

In the quarter ended March 31, 2007, the Company had changed its accounting policy for its investments in subsidiary companies in the separate financial statements from the equity method to the cost method in accordance with the Accounting Standard No.44 “Consolidated and Separate Financial Statements” (revised 2007), the change in accounting policy is recorded retrospectively to the years in which the investments were made, resulted in the retain earnings beginning of year 2007 and 2006 increased by Baht 396,792 and decreased by Baht 2,221,410 respectively, net profit for the three - month period ended March 31, 2007 decreased by Baht 500,298, net loss for the three - month period ended March 31, 2006 increased by Baht 2,709 and investments in subsidiary companies as of December 31, 2006 increased by Baht 396,792.

The above change in accounting policy had no effect on the consolidated financial statements of the Company and its subsidiaries.

4. TRANSACTIONS WITH RELATED PARTIES

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

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

- a) Rental and exclusive right agreement (Note 15.2)
- b) Land lease agreement (Note 15.3)

Account balances arising from transactions with the said related parties was shown separately in the balance sheets. The major transactions with related parties which are included in the statements of income for the three-month periods ended March 31, 2007 and 2006 were as follows:

	In Thousand Baht			
	Consolidated		The Company Only	
	2007	2006	2007	2006 (Restated)
Real estate development cost				
Asia Patana Land Co., Ltd.	-	-	2,400	12,000
Sales				
Genco Engineering Co., Ltd.	-	-	2,100	727
Interest income				
Asia Patana Land Co., Ltd.	-	-	740	739
General Logistics Co., Ltd.	-	-	81	30
Transportation expense				
General Logistics Co., Ltd.	-	-	5,271	1,325
Rental and royalty fee				
Industrial Estate Authority of Thailand	1,974	1,891	1,974	1,891
The Department of Industrial Works	865	855	865	855
Other expenses				
Industrial Estate Authority of Thailand	610	589	610	589
Impairment loss on investment in subsidiary				
	-	-	1,748	1,585

The balances of receivables from and payables to related parties as of March 31, 2007 and December 31, 2006 were as follows:

	In Thousand Baht			
	Consolidated		The Company Only	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
Trade account receivables - Billed				
Genco Engineering Co., Ltd.	-	-	830	378
Advance to director	300	400	-	100
Prepaid rent to related party				
Industrial Estate Authority of Thailand	4,783	2,434	4,783	2,434
Deposit of rent to related party				
Industrial Estate Authority of Thailand	4,348	4,348	4,348	4,348
Trade account payables - Related parties				
General Logistics Co., Ltd.	-	-	4,052	2,264
Industrial Estate Authority of Thailand	33	112	33	112
The Department of Industrial Works	307	303	307	303
Total	<u>340</u>	<u>415</u>	<u>4,392</u>	<u>2,679</u>

Long - term loans to subsidiaries

	In Thousand Baht			
	The Company Only			
	Balance as of December 31, 2006	Increase	Decrease	Balance as of March 31, 2007
Principal				
Asia Patana Land Co., Ltd.	100,000	-	-	100,000
General Logistics Co., Ltd.	11,000	-	-	11,000
Total	<u>111,000</u>	<u>-</u>	<u>-</u>	<u>111,000</u>
Add Accrued interest				
Asia Patana Land Co., Ltd.	6,329	740	-	7,069
General Logistics Co., Ltd.	209	81	-	290
Total	<u>6,538</u>	<u>821</u>	<u>-</u>	<u>7,359</u>
Total Long - term loans to subsidiaries	<u>117,538</u>			<u>118,359</u>

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

5. TRADE ACCOUNT RECEIVABLES - NET

As of March 31, 2007 and December 31, 2006, the trade account receivables are classified by aging as follows:

	In Thousand Baht			
	Consolidated		The Company Only	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
<u>BILLED :</u>				
Trade account receivables - services				
Current	37,471	30,858	38,091	31,017
Overdue				
Less than 3 months	14,179	22,182	14,389	22,401
Over 3 months to 6 months	952	594	952	594
Over 6 months to 12 months	39	360	39	360
Over than 12 months	6,190	6,672	6,190	6,672
Sub-total	58,831	60,666	59,661	61,044
Trade account receivables - real estate				
Current	2,470	2,420	2,470	2,420
Overdue				
Less than 3 months	100	50	100	50
Over 3 months to 6 months	70	70	70	70
Over 6 months to 12 months	80	40	80	40
Over than 12 months	5	5	5	5
Sub-total	2,725	2,585	2,725	2,585
Grand-total	61,556	63,251	62,386	63,629
<u>Less</u> Allowance for doubtful account	(4,891)	(4,503)	(4,891)	(4,503)
Trade account receivables - Billed - Net	<u>56,665</u>	<u>58,748</u>	<u>57,495</u>	<u>59,126</u>
<u>UNBILLED :</u>				
Trade account receivables - services	25,062	22,591	25,062	22,591
<u>Less</u> Allowance for doubtful account	-	(35)	-	(35)
Trade account receivables - Unbilled - Net	<u>25,062</u>	<u>22,556</u>	<u>25,062</u>	<u>22,556</u>

6. PENDING REFUND TO BE RECEIVED FROM LAND

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

<u>Date</u>	<u>Amount</u>
February 2, 2007	Baht 4.0 million
February 13, 2007	Baht 2.5 million
February 20, 2007	Baht 6.0 million
Within June 2007	All remaining amount

7. INVESTMENT IN OWNERSHIP OF CONDOMINIUM UNITS

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

As of March 31, 2007 and December 31, 2006, investment in ownership of condominium units is as follow :

	<u>In Thousand Baht</u>	
	<u>Consolidated and The Company Only</u>	
	<u>March 31,</u>	<u>December 31,</u>
	<u>2007</u>	<u>2006</u>
Investment in ownership of condominium units	31,150	31,150
<u>Less</u> Sale of investment in ownership of condominium unit	<u>(210)</u>	<u>(210)</u>
Investment in ownership of condominium units - Net	<u>30,940</u>	<u>30,940</u>

8. INVESTMENTS IN SUBSIDIARIES

<u>Company's Name</u>	<u>Type of Businesses</u>	<u>Relationship</u>	<u>Paid - up Share Capital (In Thousand Baht)</u>
Directly Owned Subsidiaries			
Asia Patana Land Co., Ltd.	Buy, sale, and land development	Shareholder and directorship	200,000
Genco Engineering Co., Ltd.	Waste selection and management of waste for recycling facilities	Shareholder and directorship	20,000
General Logistics Co., Ltd.	Transportation of waste including provide the service of domestic transportation	Shareholder and directorship	5,000
Indirectly Owned Subsidiary			
Industrial Waste Management (Asia) Co., Ltd.	Industrial waste treatment	Shareholder and directorship	60,000

Investments in subsidiaries at cost method for the Company only as of March 31, 2007 and December 31, 2006, were as follows:

	<u>Percentage of Holding</u>	<u>In Thousand Baht</u>		
		<u>The Company Only</u>		
		<u>As of March 31, 2007</u>		
		<u>At Cost</u>	<u>Allowance for impairment</u>	<u>Net</u>
Subsidiaries - cost method				
Asia Patana Land Co., Ltd.	99.99	200,000	(17,502)	182,498
Genco Engineering Co., Ltd.	99.99	20,000	-	20,000
General Logistics Co., Ltd.	99.99	5,000	-	5,000
Total		<u>225,000</u>	<u>(17,502)</u>	<u>207,498</u>
<u>In Thousand Baht</u>				
<u>The Company Only</u>				
<u>(Restated)</u>				
<u>As of December 31, 2006</u>				
	<u>Percentage of Holding</u>	<u>At Cost</u>	<u>Allowance for impairment</u>	<u>Net</u>
Subsidiaries - cost method				
Asia Patana Land Co., Ltd.	99.99	200,000	(15,809)	184,191
Genco Engineering Co., Ltd.	99.99	20,000	-	20,000
General Laboratory Co., Ltd.*	99.99	15,000	-	15,000
General Logistics Co., Ltd.	99.99	5,000	-	5,000
Total		<u>240,000</u>	<u>(15,809)</u>	<u>224,191</u>

* Capital redemption in year 2007.

9. PROPERTY, PLANT AND EQUIPMENT - NET

The Company's building and machinery at Map Ta Phut Industrial Waste Treatment Facilities are mortgaged as collateral for a letter of guarantee line obtained from a local bank totaling approximately Baht 50 million. The carrying value of such assets as of March 31, 2007 and December 31, 2006 amounted to approximately Baht 97.1 million and Baht 101.1 million respectively.

10. PROVISIONS FOR TRANSPORTATION AND TREATMENT OF INDUSTRIAL WASTE

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

11. LEGAL RESERVE

Under the provision of the Public Company Limited Act B.E. 2535, the Company is required to appropriate at least 5% of its annual net income, after deduction of the deficit brought forward (if any), as a legal reserve until the reserve reaches 10% of the authorized capital. As of March 31, 2007 and December 31, 2006, the balance of the legal reserve amounted to Baht 1.4 million. The reserve is not available for dividend distribution.

12. COMPANY'S SERVICE INCOME

By virtue of the provisions of the Investment Promotion Act B.E. 2520, the Company was granted certain privileges in business of disposal waste, industrial waste or waste water treatment service at Map Ta Phut Industrial Waste Treatment Facilities.

Service income for the three-month periods ended March 31, 2007 and 2006 classified under promoted and non - promoted businesses are as follows:

	In Thousand Baht	
	Consolidated and The Company Only	
	2007	2006
Promoted Business	80,158	60,270
Non - Promoted Business	24,862	25,776
Total	105,020	86,046

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

13. BASIC EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share for the three-month periods ended March 31, 2007 and 2006 are determined by dividing the net profit (loss) by the weighted average number of common shares outstanding during the periods (900,000,000 shares).

14. BUSINESS SEGMENT INFORMATION

Financial information of the Company and its subsidiaries for the three-month periods ended March 31, 2007 and 2006, broken down by business segment are as follow:

	In Thousand Baht					
	Consolidated					
	Services		Real estate		Total	
	2007	2006	2007	2006	2007	2006
Revenues	<u>105,020</u>	<u>86,046</u>	<u>11,709</u>	<u>11,735</u>	<u>116,729</u>	<u>97,781</u>
Net profit from operation	<u>21,692</u>	<u>8,199</u>	<u>4,780</u>	<u>5,424</u>	26,472	13,623
Other income					6,563	3,404
General expenses	15,316	13,353	4,727	2,900	20,043	16,253
Directors' remuneration					715	680
Interest expenses					395	14
Income tax expenses					151	304
Net profit (loss)					<u>11,731</u>	<u>(224)</u>

	In Thousand Baht					
	Consolidated					
	Services		Real estate		Total	
	As of March 31, 2007	As of December 31, 2006	As of March 31, 2007	As of December 31, 2006	As of March 31, 2007	As of December 31, 2006
Assets employed	<u>883,002</u>	<u>862,984</u>	<u>360,408</u>	<u>346,242</u>	<u>1,243,410</u>	<u>1,209,226</u>

15. AGREEMENTS

As of March 31, 2007, the Company and subsidiary had entered into the following agreements :

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

In the first quarter of year 2007, the said payment decreased to Baht 169.01 million due to decreased of the transferred area.

15.2 Rental and exclusive right agreement with the Department of Industrial Works whereby the Company is granted the right to operate in the Industrial Waste Facility at Samae Dam including the Research and Development Center for Environmental Conservation (Rajburi) for a period of 10 years. Under the terms of the agreement, the Company agreed to pay annual rental fee from year 1st to year 5th amounting to approximately Baht 1.06 million per year, year 6th to year 10th amounting to approximately Baht 1.37 million per year and royalty fee at a certain percentage of waste served. The agreement commenced from October 1, 2006, and terminates on September 30, 2016.

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

Rental fee for the year 2007 and 2006 amounted to Baht 8.0 million.

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

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

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

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

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

16. DISPUTE

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

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

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

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

On July 25, 2006, the Company has filed to the Appeal Court. Subsequently, on February 7, 2007, the Appeal Court has ordered the Company to arrange the security to stay of execution amounted to Baht 42.7 million. On February 22, 2007, the board of directors had approved to put up cash or assets equally amount the said security. At present, the Company is pending the consideration of security from the Court on May 9, 2007.

17. COMMITMENT AND CONTINGENT LIABILITIES

As of March 31, 2007 and December 31, 2006, the Company and subsidiary companies have commitment and contingent liabilities as follows:

	In Million Baht			
	Consolidated		The Company Only	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
17.1 Contingent liabilities to two local bank for letters of guarantee issued to related parties, private companies and government agencies to guarantee rental agreements, treatment service agreements and investing in Reception Facility at Leam chabang port.	39.8	39.8	39.8	39.8
17.2 Contingent liability to a local bank for letter of guarantee issued to a government agency to guarantee for performance under utility construction, which has secured by company's fixed deposit account.	8.9	8.5	8.9	8.5
17.3 Contingent liability for guarantee a subsidiary company.	-	-	20.6	22.1
17.4 The Company and a subsidiary company have commitment under the construction agreements and others.	14.9	9.9	14.6	9.5
17.5 A subsidiary has commitment from purchase land held for future development.	10.6	6.3	-	-

18. SUBSEQUENT EVENT

The Company

At the meeting of the shareholders on April 26, 2007, the shareholders approved to pay dividend at Baht 0.01 per share to the existing shareholders.

Subsidiary company

On April 30, 2007, the meeting of the shareholders of the Industrial Waste Management (Asia) Co., Ltd. approved an increase in the registered share capital from Baht 60,000,000 (6,000,000 ordinary shares of Baht 10 each) to Baht 200,000,000 (20,000,000 ordinary shares of Baht 10 each).

19. RECLASSIFICATION OF ACCOUNTS

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

20. APPROVAL OF FINANCIAL STATEMENTS

These interim financial statements have been approved on May 8, 2007 by an authorized management designated by the Company.