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TT&T Public Company Limited and Subsidiaries

Interim Financial Statements

For the period ended March 31, 2005

and

Review Report of Certified Public Accountant

PROCESSED

MAY 25 2005

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THOMSON
FINANCIAL

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REVIEW REPORT OF CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors of TT&T Public Company Limited

I have reviewed the accompanying consolidated balance sheet of TT&T Public Company Limited and its subsidiaries as at March 31, 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three-month periods ended March 31, 2005 and 2004. I have also reviewed the balance sheet of TT&T Public Company Limited as at March 31, 2005, and the statements of income, changes in shareholders' equity and cash flows for each of the three-month periods ended March 31, 2005 and 2004. The management of TT&T Public Company Limited is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to issue a report on these financial statements based on my reviews.

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

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

I draw attention to Note 19.7 to the financial statements, the Company has dispute with TOT Corporation Plc. on the matter of income sharing from domestic long-distance telephone service fee.

I have previously audited the consolidated financial statements of TT&T Public Company Limited and its subsidiaries for the year ended December 31, 2004, and the financial statements of TT&T Public Company Limited for the same period in accordance with generally accepted auditing standards and expressed an unqualified opinion on those statements in my report dated February 15, 2005, with emphasis on the impact of the uncertainty of the dispute with TOT Corporation Plc. on the matter of income sharing from domestic long-distance telephone service fee and the charges for the TOT's IP network. The consolidated balance sheet and the balance sheet of TT&T Public Company Limited as at December 31, 2004, which have been presented herein for comparative purpose, are components of those financial statements which I have audited and reported thereon. I have not performed any audit procedures subsequent to the date of that report.

Somboon Supasiripinyo
Certified Public Accountant
Registration No. 3731

KPMG Phoomchai Audit Ltd.
Bangkok
May 3, 2005

ASSETS

	Notes	In Thousand Baht			
		Consolidated		The Company Only	
		March 31, 2005	December 31,	March 31, 2005	December 31,
		"Unaudited"	2004 (Restated)	"Unaudited"	2004 (Restated)
		"Audited"	"Reviewed"	"Audited"	
CURRENT ASSETS					
Cash on hand and in banks	17	1,474,091	875,505	1,376,885	578,186
Short-term investments					
- Fixed deposits	17, 19.5	155,883	205,875	151,708	201,708
- Short-term investments in promissory notes	17	1,205,500	1,235,000	920,500	930,000
Trade accounts receivable - net	5	987,002	1,147,583	987,002	1,147,583
Receivable from subsidiaries	4	-	-	4,014	6,121
Accounts receivable - Others (net of allowance for doubtful accounts of approximately Baht 75 million)		80,468	88,935	16,855	24,626
Inventories - net		447,955	444,401	444,362	440,722
Advance payment for share subscription to subsidiaries	6	-	-	400,000	400,000
Accrued income from telephone services		160,154	153,506	160,154	153,506
Accrued income from long distance telephone service		34,927	31,917	34,927	31,917
Prepaid long distance circuit rental		37,237	48,329	37,237	48,329
Prepaid expenses		85,414	47,561	82,876	47,554
Deposits & advance payment to subcontractors		43,867	55,451	12,116	29,872
Other current assets		56,433	95,001	39,524	70,756
Total Current Assets		4,768,931	4,429,064	4,668,160	4,110,880
NON-CURRENT ASSETS					
Advance for purchase of equipment		554,440	413,803	349,405	413,803
Accrued dividend income	7	-	-	205,200	205,200
Investments in subsidiaries - Equity method	7	-	-	477,687	472,420
Assets not used in operations - net		49,897	50,032	49,897	50,032
Property, plant and equipment - net		4,999,843	4,922,139	4,959,208	4,886,124
Cost of telephone service expansion project transferred to TOT Corporation Plc. - net	9	30,032,175	30,536,732	30,146,215	30,650,682
Other non-current assets					
Prepaid withholding income tax		254,434	421,966	253,127	421,965
Refundable deposits and others		53,607	54,710	39,914	44,548
Total Non-Current Assets		35,944,396	36,399,382	36,480,653	37,144,774
TOTAL ASSETS		40,713,327	40,828,446	41,148,813	41,255,654

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

		In Thousand Baht				
		Consolidated		The Company Only		
		March 31, 2005	December 31,	March 31, 2005	December 31,	
		"Unaudited"	2004 (Restated)	"Unaudited"	2004 (Restated)	
Notes		"Reviewed"	"Audited"	"Reviewed"	"Audited"	
CURRENT LIABILITIES						
	Accounts payable - trade	4	303,489	450,692	274,952	407,318
	Accounts payable - others		285,160	192,739	279,431	191,656
	Current portion of long-term loans	11	1,602,083	1,601,013	1,602,083	1,601,013
	Payable to subsidiary companies	4	-	-	516,936	516,367
	Accrued long distance circuit rental expenses		115,970	95,970	115,970	95,970
	Accrued conduit rental expenses		9,001	-	9,001	-
	Accrued interest expense		35,119	2,565	35,119	2,565
	Accrued expenses		218,122	251,077	195,702	227,919
	Advance revenue from data communication network		35,593	39,517	35,593	39,517
	Provision for payables to PEA	8	-	-	-	-
	Other current liabilities		130,710	118,903	105,946	97,359
	Total Current Liabilities		2,735,247	2,752,476	3,170,733	3,179,684
NON - CURRENT LIABILITIES						
	Long-term loans - net of portion presented in current liabilities	11	22,158,946	22,603,495	22,158,946	22,603,495
	Total Non-Current Liabilities		22,158,946	22,603,495	22,158,946	22,603,495
	Total Liabilities		24,894,193	25,355,971	25,329,679	25,783,179
SHAREHOLDERS' EQUITY						
	Authorized Share Capital :					
	7,000,000,000 common shares, Baht 10 par value		70,000,000	70,000,000	70,000,000	70,000,000
	Issued and paid-up share capital :					
	3,169,632,506 and 3,124,404,703 common shares in 2005 and 2004 respectively, Baht 10 per share	14	31,696,325	31,244,047	31,696,325	31,244,047
	Premium on share capital		9,360,300	9,360,300	9,360,300	9,360,300
	Discount on share capital		(8,881,363)	(8,881,253)	(8,881,363)	(8,881,253)
	Retained earnings (Deficit)					
	Appropriated to Legal reserve		63,358	63,358	63,358	63,358
	Deficit		(16,419,486)	(16,313,977)	(16,419,486)	(16,313,977)
	Total Shareholders' Equity		15,819,134	15,472,475	15,819,134	15,472,475
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		40,713,327	40,828,446	41,148,813	41,255,654

The accompanying notes are an integral part of these financial statements.

FOR EACH OF THE THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004

		In Thousand Baht				
		Consolidated		The Company Only		
		2005	2004	2005	2004	
Notes			(Restated)		(Restated)	
REVENUES						
Income from Telephone Services						
	Expansion and Joint - Investment Agreement	1,578,239	1,540,511	1,562,474	1,528,164	
	Sales and service income	104,783	135,133	78,190	102,130	
	Equity in net income of subsidiaries	-	-	5,267	8,885	
	Interest income	4,512	2,817	3,392	2,583	
	Foreign exchange gain - net	-	76,541	-	76,541	
	Other income	4	37,693	27,218	43,291	30,978
	Total Revenues	<u>1,725,227</u>	<u>1,782,220</u>	<u>1,692,614</u>	<u>1,749,281</u>	
EXPENSES						
	Costs of sales and services	70,556	83,495	37,949	49,466	
	Operating, administrative and general expenses	4	636,048	581,129	637,352	585,229
	Foreign exchange loss - net	9,596	-	8,907	-	
	Depreciation and amortization	800,030	728,671	801,865	730,377	
	Directors' remuneration	2,248	2,584	2,248	2,584	
	Total Expenses	<u>1,518,478</u>	<u>1,395,879</u>	<u>1,488,321</u>	<u>1,367,656</u>	
	Profit before Interest Expense and Income Tax	206,749	386,341	204,293	381,625	
	Interest Expense	(309,802)	(314,607)	(309,802)	(314,607)	
	Income Tax	(2,456)	(4,716)	-	-	
	NET PROFIT (LOSS)	<u>(105,509)</u>	<u>67,018</u>	<u>(105,509)</u>	<u>67,018</u>	
	Basic Earnings (Loss) per Share (Baht)	16	<u>(0.03)</u>	<u>0.02</u>	<u>(0.03)</u>	<u>0.02</u>
	Diluted Earnings per Share (Baht)	16	<u>-</u>	<u>0.02</u>	<u>-</u>	<u>0.02</u>

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR EACH OF THE THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004

"REVIEWED"

		In Thousand Baht					
		Consolidated					
	Notes	Issued and paid-up share capital	Premium on share capital	Discount on share capital	Retained earnings (Deficit) Appropriated	Unappropriated	Total
Balance as at January 1, 2004-as previously reported		28,494,973	9,360,300	(8,881,161)	63,358	(16,324,706)	12,712,764
Adjustment of the amortization of cost of telephone service expansion project transferred to TOT Corporation Plc.	9	-	-	-	-	215,469	215,469
Restated balance		28,494,973	9,360,300	(8,881,161)	63,358	(16,109,237)	12,928,233
Net profit (after adjustment)		-	-	-	-	67,018	67,018
Common shares		254,763	-	(70)	-	-	254,693
Balance as at March 31, 2004		<u>28,749,736</u>	<u>9,360,300</u>	<u>(8,881,231)</u>	<u>63,358</u>	<u>(16,042,219)</u>	<u>13,249,944</u>
Balance as at January 1, 2005 - as previously reported		31,244,047	9,360,300	(8,881,253)	63,358	(16,557,440)	15,229,012
Adjustment of the amortization of cost of telephone service expansion project transferred to TOT Corporation Plc.	9	-	-	-	-	243,463	243,463
Restated balance		31,244,047	9,360,300	(8,881,253)	63,358	(16,313,977)	15,472,475
Net loss		-	-	-	-	(105,509)	(105,509)
Common shares	14	452,278	-	(110)	-	-	452,168
Balance as at March 31, 2005		<u>31,696,325</u>	<u>9,360,300</u>	<u>(8,881,363)</u>	<u>63,358</u>	<u>(16,419,486)</u>	<u>15,819,134</u>
		In Thousand Baht					
		The Company Only					
	Notes	Issued and paid-up share capital	Premium on share capital	Discount on share capital	Retained earnings (Deficit) Appropriated	Unappropriated	Total
Balance as at January 1, 2004-as previously reported		28,494,973	9,360,300	(8,881,161)	63,358	(16,324,706)	12,712,764
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Restated balance		31,244,047	9,360,300	(8,881,253)	63,358	(16,313,977)	15,472,475
Net loss		-	-	-	-	(105,509)	(105,509)
Common shares	14	452,278	-	(110)	-	-	452,168
Balance as at March 31, 2005		<u>31,696,325</u>	<u>9,360,300</u>	<u>(8,881,363)</u>	<u>63,358</u>	<u>(16,419,486)</u>	<u>15,819,134</u>

The accompanying notes are an integral part of these financial statements.

FOR EACH OF THE THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004

	In Thousand Baht			
	Consolidated		The Company Only	
	2005	2004 (Restated)	2005	2004 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit (loss)	(105,509)	67,018	(105,509)	67,018
Adjustments to reconcile net profit(loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	805,082	731,793	801,865	730,376
Provision for loss of VAT refundable	3,912	-	3,912	-
Interest capitalized as loan	1,268	-	1,268	-
Provision for doubtful accounts	6,723	7,351	6,723	7,351
(Gain) loss on exchange rates	6,517	(76,141)	6,517	(76,141)
Equity in net income of subsidiaries	-	-	(5,267)	(8,885)
Gain on disposal of fixed assets	(765)	(4,924)	(656)	(3,424)
Profit from Operating Activities before Changes in Operating Assets and Liabilities	717,228	725,097	708,853	716,295
Decrease (increase) in operating assets				
Accounts receivable - trade	153,858	107,005	153,858	107,005
Accounts receivable from subsidiaries	-	-	2,107	19
Accounts receivable - others	8,468	(14,126)	7,771	1,997
Inventories	(66,212)	14,199	(66,299)	1,944
Withholding tax	167,532	34,958	168,838	34,957
Other current assets	13,888	4,399	15,103	6,805
Increase (decrease) in operating liabilities				
Accounts payable - trade	(146,402)	(86,203)	(131,565)	(92,556)
Accounts payable - others	92,421	37,794	87,776	42,258
Accounts payable - subsidiaries	-	-	568	10,494
Accrued long distance circuit rental expense	20,000	24,581	20,000	24,581
Accrued conduit rental expense	9,001	8,970	9,001	8,970
Accrued interest expense	32,554	29,178	32,554	29,178
Other current liabilities	(25,071)	32,690	(27,554)	41,396
Net Cash Provided by Operating Activities	977,265	918,542	981,011	933,343

The accompanying notes are an integral part of these financial statements.

FOR EACH OF THE THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004

	In Thousand Baht			
	Consolidated		The Company Only	
	2005	2004 (Restated)	2005	2004 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of fixed assets	2,595	5,071	1,823	3,502
(Increase) decrease in short-term investments	49,993	(561,979)	50,000	(550,000)
Increase in property, plant and equipment	(201,539)	(127,193)	(193,039)	(127,115)
Increase in advance for purchase of equipment	(213,576)	-	(8,540)	-
Increase in cost of telephone services expansion project transferred to TOT Corporation Plc.	(42,788)	(18,688)	(42,880)	(17,979)
Decrease (increase) in deposits and others	(2,967)	(1,607)	721	(306)
Net Cash Used in Investing Activities	(408,282)	(704,396)	(191,915)	(691,898)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long-term loans	-	(760,516)	-	(760,516)
Proceeds from issue of share capital	103	66	103	66
Net Cash Provided by (Used in) Financing Activities	103	(760,450)	103	(760,450)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	569,086	(546,304)	789,199	(519,005)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD				
	2,160,505	2,793,198	1,558,186	2,674,969
CASH AND CASH EQUIVALENTS AT END OF PERIOD				
	2,729,591	2,246,894	2,347,385	2,155,964
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
1. Cash payments during the periods:				
Interest expense	275,979	285,428	275,979	285,428
Income tax	54,891	53,340	51,134	50,629
2. Cash and cash equivalents consist of:				
Cash on hand and in banks	1,474,091	2,016,894	1,376,885	1,935,964
Short-term investments with maturity date within 3 months:	1,255,500	230,000	970,500	220,000
	2,729,591	2,246,894	2,347,385	2,155,964

3. For the three-month period ended March 31, 2005 and 2004, the Tranche C warrant holders had exercised their rights by converting Tranche C loans amounting to approximately Baht 452.06 million and Baht 254.6 million, respectively to share capital.

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

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

The interim financial statements have been prepared to provide an update on the financial statements for the year ended December 31, 2004. They focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2004.

Other than those specified in notes to the annual and interim financial statements, all other balances presented in these interim financial statements are prepared under the historical cost basis.

For the convenience of the readers, an English language translation of the interim financial statements has been prepared from the Thai language interim financial statements which are issued for domestic reporting purpose.

The consolidated interim financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group"). Details of the Company's subsidiaries are as follows::

	Business Type	Country of Registration	Percentage of Holding	
			March 31, 2005	December 31, 2004
Subsidiaries				
TT&T Subscriber Services Co., Ltd	Installation of dropwire and sale of telephone equipment and installation to the subscribers	Thailand	99.993	99.993
TT&T Value Added Service Co., Ltd.	Public telephone in provincial area	Thailand		
	- Directly held		66.666	66.666
	- Indirectly held		<u>33.333</u>	<u>33.333</u>
			<u>99.999</u>	<u>99.999</u>

Significant intra-group transactions between the Company and its subsidiaries are eliminated on consolidation.

Pursuant to the Extraordinary General Meetings of Shareholders No. 1/2002 dated March 13, 2002, and No. 2/2002 dated March 29, 2002, TT&T Value Added Service Company Limited has commenced the liquidation process and registered this with the Ministry of Commerce on March 29, 2002. At present, the subsidiary company is in the liquidation process, and is settling liabilities and returning assets in the accounts to its shareholders.

2. RESULT OF OPERATIONS

Following agreement on debt restructuring with financial creditors and major creditors in 2001, the management believe that the Company will be able to comply with the conditions of the related debt restructuring agreements. Also, the Company has taken certain measures such as increasing telephone services income as well as value added service income, especially on data communication and internet related services, by concentration on a marketing strategy in order to increase subscribed lines, especially for the business sector and reducing operating expenses, etc. Nevertheless, the economic situation is uncertain and may have an effect on the Company's success in future operations and ability to generate sufficient cash flows from operations to meet the conditions of the debt restructuring agreements. The ultimate outcome of this matter cannot presently be determined. The financial statements reflect management's current assessments of the impact to date of the economic situation on the financial position of the Company. Actual results could differ from the management's current assessments and such differences could be material.

Progress of Concession Conversion

In 2003, the government announced its policy regarding the Joint - Undertaking Concession Conversion is of its priority in order to arrive at an urgent conclusion. According to the 2003 plan of the Ministry of Information Technology and Communication, a summary of the overall guidelines regarding the Joint - Undertaking Concession Conversion was made, such as revenue sharing, compensation details, assets network and the tax payment standard for various services.

In October 2004, the National Telecommunication Commission (NTC) was established and started their role by supervising the telecommunication operators to comply with the Telecommunication Act.

3. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements are prepared in accordance with the accounting standards issued by The Institute of Certified Accountants and Auditors of Thailand. The significant accounting policies used to prepare the interim financial statements for the three-month periods ended March 31, 2005 and 2004 are similar to those that have been applied to the financial statements for the year ended December 31, 2004.

4. TRANSACTIONS WITH RELATED PARTIES

Related parties are those parties linked to companies in the Group by common shareholders or directors. Transactions with related parties are conducted at prices based on market prices or at contractually agreed prices where no market prices exist. Significant balances at each balance sheet date, and transactions for the financial years then ended, with related parties are as follows:

The Company entered into purchase and installation equipment agreements in Telephone Services Expansion Project of 1.5 million numbers with various related companies. Under the terms of the agreements, the related companies will supply and install the equipment in the system including providing extra services relating to the investment project of 1.5 million numbers. The prices are made through a bidding process and will be used as reference prices in the next pricing. As at March 31, 2005 and December 31, 2004, the Company had commitment for payment of the equipment under the aforesaid agreements in the amount of approximately Baht 175 million and Baht 274 million respectively

On December 1, 2004, a subsidiary entered into the contract for the supply of the Customer Care and Billing System (CC&B) with a consortium between Siam Teltech Computer Public Company Limited, a shareholder, and Convergys Information Management Group, Inc. in the amount of USD 26,000,000 and the related contracts comprise the End User Software License agreement in the amount of USD 3,171,114 per 1,500,000 subscribers and the Support and Maintenance agreement in the amount of USD 3,145,000 per year. The subsidiary had commitment for payment of those equipment and services under the term and condition stipulated in the contracts. Please see Note 6 for developments on this matter.

The Company entered into car and equipment leasing contracts with a subsidiary company to provide the fault complaint reception and dropwire maintenance services. The rental fee is Baht 7.4 million per month.

The Company entered into service and consultancy service agreements with a subsidiary company. The Company will provide technical assistance and financial, legal and marketing consultancy services to such related companies. Under the terms of the agreement, the Company will receive a service fee of Baht 1.5 million per month.

On March 16, 2005, Jusmine Internet Company Limited, an affiliate of a shareholder of the Company, agreed to designate the Company's subsidiary to be a representative for internet service i.e. marketing consultancy and all customer support services. The subsidiary agreed to share remuneration and pay a minimum guarantee as stipulated in the agreement. This agreement shall become effective for an initial term of 2 years and shall be automatically renewed for one additional year each unless either party notifies the other party 90 days prior to its termination. In addition, the subsidiary has entered into an agreement with the Company to provide technical and advisory for internet services to the subsidiary's customer. Please see note 20.1 to the financial statements for subsequent event.

The significant balances of assets, liabilities, and other transactions occurring with those parties are shown as follows:

Transactions with related parties for the three-month periods ended March 31, 2005 and 2004:

	In Million Baht			
	Consolidated		The Company Only	
	2005	2004	2005	2004
Subsidiaries				
Consultancy service income	-	-	5	5
Office building rental and service income	-	-	1	1
Purchase and installation dropwire	-	-	35	18
Purchase and outside plant maintenance	-	-	27	40
Purchase and maintenance of service	-	-	6	5
Cars and equipment rental	-	-	22	22
Related company				
Lease circuit	1	2	1	2
Data Communication Network	4	2	4	2

Balances with related parties as at March 31, 2005 and December 31, 2004:

	In Million Baht			
	Consolidated		The Company Only	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Receivable from subsidiary companies				
- TT&T Subscriber Services Co., Ltd.	-	-	4	6
- TT&T Value Added Service Co., Ltd.	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>4</u>	<u>6</u>
Payable to subsidiary companies				
- TT&T Subscriber Services Co., Ltd.	-	-	50	50
- TT&T Value Added Service Co., Ltd.	-	-	467	467
Total	<u>-</u>	<u>-</u>	<u>517</u>	<u>517</u>
Payable to related company (Part of the trade accounts payable in the balance sheets)	4	2	4	2
- Smart Highway Co., Ltd.				
Advance for purchase of equipment (Part of the advance for purchase of equipment in the balance sheets)				
- Loxbit Public Company Limited	34	48	34	48
- Jasmine Telecom Systems Public Company Limited	153	150	153	150
- Loxdata Company Limited	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
Total	<u>217</u>	<u>228</u>	<u>217</u>	<u>228</u>

5. TRADE ACCOUNTS RECEIVABLE

As at March 31, 2005 and December 31, 2004, the Company had outstanding balances of trade accounts receivable classified by their aging, as follows:

As at March 31, 2005	In Million Baht				
	Current - 3 months	3-6 months	6-12 months	Over 12 months	Total
The telephone service subscriber receivable under the Concession Agreement					
- Billed	198.1	31.2	56.5	26.3	312.1
- Unbilled	524.6	60.1	54.5	116.9	756.1
VAT on the assets transferred	0.5	1.0	3.8	4.3	9.6
Trade receivables – others	<u>63.7</u>	<u>1.4</u>	<u>2.3</u>	<u>8.2</u>	<u>75.6</u>
	786.9	93.7	117.1	155.7	1,153.4
Less Allowance for doubtful debts					(166.4)
Accounts receivable – net					<u>987.0</u>

As at December 31, 2004	In Million Baht				Total
	Current - 3 months	3-6 months	6-12 months	Over 12 months	
The telephone service subscriber receivable under the Concession Agreement					
- Billed	371.9	33.5	40.4	8.9	454.7
- Unbilled	563.9	48.7	42.2	126.4	781.2
VAT on the assets transferred	1.1	0.9	6.0	1.2	9.2
Trade receivables – others	<u>51.4</u>	<u>1.3</u>	<u>1.4</u>	<u>8.1</u>	<u>62.2</u>
	988.3	84.4	90.0	144.6	1,307.3
Less Allowance for doubtful debts					<u>(159.7)</u>
Accounts receivable – net					<u>1,147.6</u>

As at March 31, 2005 and December 31, 2004, the Company had set up allowances for doubtful receivables of approximately Baht 166.4 million and Baht 159.7 million, respectively. The management believes that the allowance is adequate to cover the possible loss from uncollectible amounts. Besides, the Company has certain means to accelerate the collection of receivables, including the issuance of legal notices to follow-up the long outstanding balances and referring the cases to Legal Division of TOT Corporation Plc. "TOT".

6. ADVANCE PAYMENT FOR SHARE SUBSCRIPTION

The Company intended to invest in the Customer Care and Billing System (CC&B) through a subsidiary, TT&T Subscriber Services Company Limited. The subsidiary had, accordingly, convened Extraordinary General Meetings of its shareholders No. 3/2004 and No. 4/2004 at which resolutions were passed to increase the authorized share capital of the subsidiary by Baht 600 million in order to support the proposed investment in the CC&B. The Board of Directors of the Company approved the payment of Baht 400 million to the subsidiary in November and December 2004 as advance payment for additional shares in the subsidiary.

Creditors of the Company have subsequently filed notice of their objection to the proposed investment in the CC&B through the subsidiary, and imposed conditions on the Company should the Company proceed with the investment in this manner. The Company, after consideration of this objection, has decided to invest directly in the CC&B project rather than through the subsidiary and will enter into a novation agreement for the CC&B Procurement Contract with the subsidiary. At present the novation agreement is under signing process. The subsidiary had convened Extraordinary General Meetings of its shareholders No. 1/2005 and 2/2005 held on February 4 and 21, 2005 respectively. Resolutions were passed to cancel the previous special resolutions for the capital increase and to return the share subscription advance to the Company.

7. INVESTMENTS RECORDED BY THE EQUITY METHOD

As at March 31, 2005 and December 31, 2004, the investments in subsidiaries consisted of:

	In Million Baht					Dividend Receivable
	Paid-up Capital	At Cost Method		At Equity Method		
		March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004	
Subsidiaries						
TT&T Subscriber Services Co., Ltd.	10	10	10	210	205	-
TT&T Value Added Service Co., Ltd.	<u>150</u>	<u>100</u>	<u>100</u>	<u>267</u>	<u>267</u>	<u>205</u>
Total	<u>160</u>	<u>110</u>	<u>110</u>	<u>477</u>	<u>472</u>	<u>205</u>

Pursuant to the Extraordinary General Meetings of Shareholders No. 1/2002 dated March 13, 2002, and No. 2/2002 dated March 29, 2002, TT&T Value Added Service Company Limited has commenced the liquidation process and registered this with the Ministry of Commerce on March 29, 2002. At present, the subsidiary company is in the liquidation process, and is settling liabilities and returning assets in the accounts to its shareholders.

8. PROVISION FOR PAYABLES TO PEA

The Company's financial statements as at December 31, 2004 and March 31, 2004, before adjustment, reflected a provision of Baht 631 million for payables to Provincial Electricity Authority ("PEA") in respect of the costs of pole-erecting and cable-laying equipment. These payables were included in the rehabilitation plan which was in the process of judgment from the Official Receiver. On September 30, 2002, the Official Receiver instructed the Company to pay debt balances, including interest (computed up to May 8, 2000), amounting to approximately Baht 230 million. The Company had made payment to PEA for both the principal and interest (up to December 25, 2002), amounting to Baht 268 million by the debt-to-equity method according to the resolution adopted at the Extraordinary Shareholders' Meeting No.2/2002, held on December 19, 2002. However, PEA submitted an appeal against the Official Receiver's instructions to the Central Bankruptcy Court ("CBC"). On May 28, 2003, CBC considered and issued an order to cancel the appeal of PEA objecting to the Official Receiver's instructions. Later, on June 24, 2003, PEA submitted an appeal to the Supreme Court objecting to the CBC order. The Supreme Court considered and made an appointment for the judgment hearing on March 22, 2005. The Supreme Court upheld the CBC decision and the case was considered closed. The Company has made an adjustment to reverse the provision for payables to PEA amounting to Baht 631 million and reduce the "Cost of Telephone Services Expansion Project transferred to TOT Corporation PLC" by the same amount.

9. COST OF TELEPHONE SERVICES EXPANSION PROJECT TRANSFERRED TO TOT CORPORATION PLC.

The Company has recorded the telephone equipment system gradually delivered to TOT according to the conditions of the Joint Operate and Joint Investment Agreement for telephone services expansion in the account "Cost of Telephone Services Expansion Project transferred to TOT Corporation PLC" and amortizes these costs as expenses over the remaining period of the concession (up to June 2019), commencing from the date on which the assets or the ownership are transferred.

The Company has, as described in Note 8, reduced the "Cost of Telephone Services Expansion Project transferred to TOT Corporation PLC", by Baht 631 million. The Company has, as a consequence of this spacing reduction in cost, adjusted for the excess amortization charged in prior years to Retained Earnings as at January 1, 2004 and 2005 by Baht 215 million and Baht 243 million, respectively, and adjusted the profit of 1st quarter 2004 by Baht 7 million.

10. DEBT RESTRUCTURING

The creditors and the Company agreed to proceed with filing the petition for the business rehabilitation sponsored by the Central Bankruptcy Court in conformity with Bankruptcy Act B.E. 2542 on May 8, 2000. The Court ordered the Company's rehabilitation and appointed the Company as the planner on May 29, 2000 without any other creditors' objection. The creditors overwhelmingly voted in favor of the plan on December 21, 2000 and the Central Bankruptcy Court approved the Company's plan on December 27, 2000. Based on the Company's rehabilitation plan, the outstanding debts as at September 3, 2001 (Closing Date) which the Company owed to financial creditors, major suppliers, debts to related companies, small contractors and the subordinated loan (excluding debts to bureaucratic creditors) were restructured by partial payment, conversion of loans to the company's common shares and revision of conditions in the loan agreement. (See note 11 to the financial statements)

Debts to bureaucratic creditors, such as TOT, PEA and the Revenue Department, will be repaid as set forth in the rehabilitation plan.

The Company has issued warrants in an amount equal to 10% of the total grossed-up number of ordinary shares of the Company after the debt restructuring of the financial creditors, the major suppliers and the Company's existing shareholders after the Closing Date. These warrants will be granted 50% to creditors and 50% to existing shareholders. The condition of the Restructuring Plan Warrants is specified in note 12 to the financial statements.

As part of the Plan, the Company undertakes to issue new common shares in the aggregate amount of Baht 5,000 million with a minimum payment of Baht 3,000 million in cash within a period of 30 months from the Closing Date. A portion of the proceeds of the new equity may be used for debt settlement under the debt restructuring plan and the other portion may be used for capital expenditure in order to enable the Company to compete effectively in new lines of business in a deregulated environment. If the Company cannot increase its share capital by Baht 5,000 million within 24 or 30 months after the Closing Date, the Company shall issue to the Tranche C creditors additional warrants at that time. The condition of Tranche C warrants is specified in note 13 to the financial statements.

On November 30, 2001, the Company filed a petition for cancellation of business rehabilitation. The Court then ordered the approval of the Company's business rehabilitation on December 24, 2001 pursuant to Clause 90/70 under the Bankruptcy Act B.E. 2483.

11. LONG-TERM LOANS

As at March 31, 2005 and December 31, 2004, long-term loans consisted of:

	In Million Baht	
	March 31, 2005	December 31, 2004
US Dollar loan	11,688	12,132
Baht loan	12,073	12,072
Total	23,761	24,204
Less portion due within one year	(1,602)	(1,601)
Total Long-Term Loans – Net	<u>22,159</u>	<u>22,603</u>

USD Loan Agreement

The objective of this agreement is to restructure the existing USD debts that the Company owed to creditors amounting to approximately USD 418.1 million without incurring any new indebtedness. The Company is obliged to repay USD principal in semi-annual installments according to the proportion specified in the agreement. The first installments shall commence on June 30, 2002 and the last installment on June 30, 2017. The USD interest payment calculation shall be divided into market and sub-market portions based on fixed rate and LIBOR plus the agreed rate specified in the agreement.

Baht Loan Agreement

The objective of this agreement is to restructure the existing Baht debt that the Company owned to creditors of Baht 13,926.9 million without incurring any new indebtedness. The Company is obliged to repay Baht principal in semi-annual installments, according to the proportion specified in the agreement. The first installment shall commence on June 30, 2002 and the last installment on June 30, 2017. The Baht interest payment calculation shall be divided into market and sub-market portion, based on MLR plus or minus the agreed rate specified in the agreement.

12. RESTRUCTURING PLAN WARRANTS (“RPW”)

Under the debt restructuring agreements, the Company has issued warrants in an amount equal to 10% of the total grossed-up number of ordinary shares of the Company after the debt restructuring of the financial creditors, the major suppliers and the Company’s existing shareholders after the Closing Date. These warrants will be granted 50% to creditors and 50% to existing shareholders. These warrants will be exercisable within 5 years after October 1, 2001. Such warrants can only be exercised by means of a cash payment to the Company.

The details of Restructuring Plan Warrants are as follows:

Type of warrant	:	Warrant to purchase new common shares of the Company in named certificates.
Number of units	:	284 million units
Maturity	:	5 years
Offering	:	Offer to creditors of the Company and existing shareholders in their entirety pursuant to the Company’s rehabilitation plan.
Offering price	:	Baht 0 per unit
Exercise price	:	Baht 4.85 per share
Exercise right per unit	:	1 unit to 1 common share
Number of common shares allotted and reserved for the warrants	:	284 million shares
Secondary market	:	The Company registered the warrants as listed securities on the Stock Exchange of Thailand.

During the fourth quarter of 2001, the Company issued 281,155,610 warrant units which will be recorded when the warrant holders exercise their right to buy the Company’s common shares. As at December 31, 2004, holders of 43,319 warrant units had exercised their rights to buy the Company’s common shares. During the first quarter ended March 31, 2005, holders of additional 21,270 warrants units had exercised their right to buy the Company’s common shares as follows:

Exercise date	Warrants exercised (Units)	Common shares issued (shares)	Cash receipt from exercise (Baht)	Registration date of increase of share capital
January 2005	18,170	18,170	88,124.50	February 10, 2005
February 2005	2,950	2,950	14,307.50	March 8, 2005
March 2005	150	150	727.50	April 11, 2005
	<u>21,270</u>	<u>21,270</u>	<u>103,159.50</u>	

The balances of unexercised warrants are as follows:

	Units			Exercise price (Baht/share)	Expiry date
	Warrants unexercised at January 1, 2005	Warrants exercised during the period	Warrants Unexercised at March 31, 2005		
RPW	281,112,291	21,270	281,091,021	4.85	October 1, 2006

As at March 31, 2005, the latest bidding price of the warrants was Baht 2.68 per unit.

13. TRANCHE C WARRANTS (“TCW1” and “TCW2”)

The details of Tranche C warrants are as follows:

Type of warrant	: Warrant to purchase new common shares of the Company in named certificates.
Maturity	: 5 years
Offering	: Offer to certain group of creditors of the Company pursuant to the Company’s rehabilitation plan.
Offering price	: Baht 0 per unit
Exercise right per unit	: 1 unit to 1 common share
Number of common shares allotted and reserved for the warrants	: 3,758 million shares
Secondary market	: The Company will not register the warrants as listed securities on the Stock Exchange of Thailand.

At the Extraordinary General Meeting of Shareholders No. 1/2003 held on September 30, 2003, a resolution was passed approving the issuance and offering of the Company’s share warrants or Tranche C Warrants to Tranche C Creditors as specified in the Company’s Rehabilitation Plan in two separate portions. The first portion shall be offered at 25% of total Tranche C Loans as at the date 24 months after the Closing Date (First Trigger Date), which was September 3, 2001, and issued by December 31, 2003. The second portion shall be offered at 75% of total Tranche C Loans as at the date 30 months after the Closing Date (Second Trigger Date) and issued by March 2004. These warrants are exercisable within 5 years from the issuing date at the exercise price of Baht 10 per share by cash payment or by exchanging with Tranche C Loans, an exercise ratio at 1 unit of warrant to 1 common share. Further, the Meeting approved an allocation of approximately 3,721 million reserved ordinary shares by allocating 672 million shares in reserve for the exercise of Tranche C Warrants by Tranche C Creditors and the remaining 3,049 million shares should be reserved for offering to investors on a private placement basis.

On December 31, 2003, the Company issued the first portion of Tranche C Warrants ("TCW 1") to Tranche C Creditors in the amount of 148,777,887 units. As at December 31, 2004, holders of 83,400,525 warrant units had exercised their rights to buy the Company's common shares. During the first quarter ended March 31, 2005 the warrant holders had exercised their rights as follows:

Exercise date	Warrants exercised (Units)	Common shares Issued (shares)	Debt to Equity Conversion ('000 Baht)	Registration date of increase of share capital
January 31, 2005	2,207,301	2,207,301	22,073	February 10, 2005

On March 31, 2004, the Company issued the second portion of Tranche C Warrants ("TCW 2") to Tranche C Creditors in the amount of 443,995,171 units. As at December 31, 2004, holders of 191,488,978 warrant units had exercised their rights to buy the Company's common shares. During the first quarter ended March 31, 2005 the warrant holders had exercised their rights as follows:

Exercise date	Warrants exercised (Units)	Common shares Issued (shares)	Debt to Equity Conversion ('000 Baht)	Registration date of increase of share capital
January 31, 2005	42,999,232	42,999,232	429,992	February 10, 2005

The balances of unexercised warrants are as follows:

	Units				Exercise by Cash or Debt/Equity Conversion (Baht/share)	Expiry date
	Warrants unexercised at January 1, 2005	Warrants issued	Warrants Exercised	Warrants unexercised at March 31, 2005		
TCW 1	65,377,362	-	2,207,301	63,170,061	10	December 30, 2008
TCW 2	252,506,193	-	42,999,232	209,506,961	10	March 30, 2009

14. SHARE CAPITAL

Authorized and issued share capital

	2005	
	No. of Shares	In Thousand Baht
Authorized:		
Common shares of Baht 10 each At January 1 and March 31	<u>7,000,000,000</u>	<u>70,000,000</u>
Issued and fully paid Common shares of Baht 10 each At January 1	3,124,404,703	31,244,047
Issues on exercise of warrants		
RPW	21,270	213
TCW 1	2,207,301	22,073
TCW 2	<u>42,999,232</u>	<u>429,992</u>
At March 31	<u>3,169,632,506</u>	<u>31,696,325</u>

Unissued share capital	No. of shares		
	Unissued at January 1, 2005	Issued during the Period	Unissued at March 31, 2005
Common shares of Baht 10 each allotted for			
a) debt/equity conversion to Class 7 Creditors	2,011,054	-	2,011,054
b) debt/equity conversion to Class 8 Creditors	851,860	-	851,860
c) debt/equity conversion to Class 1 & 2 Creditors	814,447	-	814,447
d) exercise of Restructuring Plan Warrants	283,956,681	21,270	283,935,411
e) offer to directors and employees of the Group	142,000,000	-	142,000,000
f) offer to new equity investors and reserved for exercise of Tranche C warrant	<u>3,445,961,255</u>	<u>45,206,533</u>	<u>3,400,754,722</u>
	<u>3,875,595,297</u>	<u>45,227,803</u>	<u>3,830,367,494</u>

15. INTERNATIONAL LONG-DISTANCE TELEPHONE INCOME FROM THE NEIGHBOURING COUNTRIES AND OTHER VALUE ADDED SERVICE INCOME

15.1 International long-distance telephone income from the neighbouring countries

In accordance with the TOT income computation, income from long-distance telephone services provided to neighbouring countries was computed based on the difference between the number of calls from and to the neighbouring countries through the TOT Gateway. It is the Company's policy to recognize revenue from international long-distance calls from and to neighbouring countries only when such revenue can be reliably estimated. The following table summarises details of the revenue recognized from this source and the financial periods in which such revenue was recognized.

<u>Period in which calls were made/received.</u>	<u>Income (Million Baht)</u>	<u>Period in which revenue was recognized.</u>
January 1994 to July 2000	53	2 nd quarter of 2004
August 2000 to December 2001	80	4 th quarter of 2002
January 2002 to March 2003	13	4 th quarter of 2003

Income from calls between January 1994 and July 2000 amounting to approximately Baht 53 million was recognized in the second quarter of 2004, in accordance with the letters from TOT, dated May 21 and June 25, 2004. The income from international long-distance calls from neighbouring countries for periods subsequent to March 2003 will be recognized as soon as it can be reasonably and reliably estimated.

15.2 Other Value Added Service Income

The Company earns income from other value added services, i.e. T-Pin (Postpaid) service, T-Card (Prepaid) service, Freephone 1800 service, etc, the rates of income sharing for which are being considered by TOT. Therefore, the Company has recorded the income sharing at the same rates applied to the value added services or at the rate initially agreed with TOT.

16. EARNINGS PER SHARE

Basic earnings (loss) per share

Basic earnings (loss) per share are determined by dividing the net profit(loss) for the three-month periods ended March 31, 2005 and 2004 by the weighted average number of shares outstanding during the periods.

	Consolidated		The Company Only	
	2005	2004	2005	2004
Net profit(loss) for common share holders (In Thousand Baht)	(105,509)	67,018	(105,509)	67,018
Weighted average number of shares (Thousand Shares)	3,149,530	2,860,914	3,149,530	2,860,914
Basic earnings (loss) per share (Baht)	(0.03)	0.02	(0.03)	0.02

Diluted earnings per share

Diluted earnings per share are determined by dividing the net profit for the three-month period ended March 31, 2004 by the weighted average number of share outstanding during the period after adjusting common stock equivalents, on the assumption that the holders of restructuring plan warrants had exercised their rights to convert their warrants wholly into common shares. The Tranche C warrants were excluded since they were anti-dilutive.

Net profit for common share holders (In Thousand Baht)	2004 67,018
Weighted average number of shares (Thousand Shares)	3,142,039
Diluted earnings per share (Baht)	0.02

The Company did not present diluted earnings per share for the 1st quarter 2005 because the warrants are anti-dilutive as their conversion to common shares would increase earnings per share.

17. ASSETS USED AS COLLATERAL

As at March 31, 2005 and December 31, 2004, the Company's current accounts, savings accounts, fixed deposit accounts, and short-term investments in promissory notes totalling Baht 2,432 million and Baht 1,690 million respectively, are provided as collateral to all creditors. The Company has no constraints in the utilization of these deposits but they are subject to annual creditors' approval before utilization.

18. SEGMENT INFORMATION

The Company was registered for the purpose of joint-undertaking of investment in the expansion project of telephone services with the Telephone Organization of Thailand in the provincial areas, including the installation of telephone lines. The management considers the operations as one business and the operations of the subsidiaries are complementary to the Company's business of servicing telephone subscribers. For this reason, the management considers this as one segment of operation. In addition, in terms of areas of services and marketing areas, the management also considers this as one segment of operation because the Company and subsidiaries operate only in the Kingdom of Thailand.

19. OBLIGATIONS AND CONTINGENT LIABILITIES AND CONTINGENCIES

19.1 As at March 31, 2005 and December 31, 2004, the Company was contingently liable to a local bank for the letter of guarantee issued by the said bank in favor of other government agencies and contractor companies amounting to approximately Baht 62 million, as collateral for the Company's compliance with the terms of agreements.

19.2 The Company and subsidiaries entered into car leasing agreements for a period of 4 years. These long-term lease agreements start and expire on different dates. As at March 31, 2005 and December 31, 2004, the Company and subsidiaries committed to pay the rental under the lease agreements as follows:

	In Million Baht			
	Consolidated		The Company Only	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
Due within one year	45	49	10	13
Between 2 - 4 years	<u>36</u>	<u>47</u>	<u>2</u>	<u>3</u>
Total	<u>81</u>	<u>96</u>	<u>12</u>	<u>16</u>

19.3 The Company had entered into agreements for the purchase and installation of equipment, in providing telephone services with the various companies, both local and overseas. As at March 31, 2005 and December 31, 2004, the Company had commitments for payment of the equipment under the aforesaid agreements, in the amount of Baht 186 million and Baht 158 million, respectively.

19.4 On December 17, 2004, the subsidiary had entered into a construction contract for construct a building under CC&B project with a local company. The subsidiary had commitments for payment of the construction cost under the aforesaid contract in the amount of Baht 20.09 million.

19.5 The Company was contingently liable to the Revenue Department for tax audits for the years 1993 to 1998. The Company has appealed and incorporated this dispute into the rehabilitation proceeding. On July 30, 2001, the official from Seizure Department ordered the Company to pay corporate income tax for the year 1994 amounting to approximately Baht 91.2 million and value added tax and the related penalty amounting to approximately Baht 22.6 million to the Revenue Department and omit the payment of Specific Business Tax for the year 1994 to 1998 amounting to approximately Baht 78.5 million. On September 21, 2001, the Revenue Department has objected to the Seizure Official's order to the Central Bankruptcy Court in case of Specific Business Tax omission payment.

The Company received the appeal judgment from the Appeal Committee of the Revenue Department dated September 11, 2001, which ordered the Company to pay corporate income tax, penalty, and surcharge amounting to approximately Baht 91.2 million and the Specific Business Tax, penalty, and surcharge amounting to approximately Baht 78.5 million. However, a 50% discount was given on the penalty charges on Specific Business Tax so the remaining amount to be paid was approximately Baht 51.7 million. The Company has submitted an appeal to Central Tax Court to object to the judgment on the Specific Business Tax.

The Company accrued the Specific Business Tax, together with the fine and surcharge, totalling Baht 51.7 million and the Company requested for tax relief for which a letter of guarantee, backed by pledge of fixed deposit, to the Revenue Department has been issued. The Tax Court dismissed the appeal submitted by the Company. The Company therefore re-appealed to the Supreme Court on June 10, 2002. At present the result of the said appeal is not yet known.

19.6 The Company filed a lawsuit against TOT requesting the Central Administration Court to order TOT to act in compliance with the Joint Operation Agreement Clause 37 which states that "In case of any change in the status of the TOT, all powers and authorities held by the TOT, including the power to stipulate the maintenance standards, shall not be transferred to any private agency to the extent that the private agency would have the power to supervise and control TT&T. In such event, all of the powers and authorities held by the TOT shall be vested in the Ministry of Transport and Communications". The Court accepted the Company's case into consideration on August 5, 2003 and issued an order to start legal proceedings.

19.7 According to TOT, True Corporation Plc.(former name :Telecom Asia Corporation Plc.) and the Company had mutually agreed on a market testing on the use of the domestic long-distance telephone calls by applying the service fee rate which is lower than the basic rate as stated in the Joint Undertaking Agreement, with effect from September 1, 2003. There had been 2 more extensions for the said period, which finally ended on June 30, 2004. Later on, TOT has advised the Company that TOT will further extend the use of the flexible service fee rate for the market testing commencing from July 1, 2004 to December 31, 2004, which the Company had refused the said mutual market testing. But under the Joint Undertaking Agreement, the Company who has been authorized by TOT to issue invoices for the service fees, has to issue the said invoices at the same rate of TOT. As a result, the impact of the said adjustment of the service fee rate, under the said Joint Undertaking Agreement, caused a drastic reduction in the income sharing. After discussions with TOT, the Company sent a letter to TOT advising them of the said impact. TOT, however, still continued with the said adjustment of the service fee rate, thus causing the Company higher financial loss. Therefore, the Company issued a letter dated January 24, 2005, requesting TOT to reimburse the said domestic long-distance fee income for the period from July 2004 to December 2004, amounting to Baht 492,783,623, together with compensation for the reduction in income from December 2004 onwards, until such time that TOT cancels the service fee reduction. But TOT claim that the Company did not charge the service fee according to the basic fee rate and considered material breach of agreement. TOT has, therefore, requested the Company to compensate TOT for the reduced portion of income sharing from July 2004 to November 2004, of Baht 492,783,622.

The legal advisor firm has given the opinion that the Company has charged the telephone service fee at the same rate as that charged by TOT in compliance with the terms of the Joint Undertaking Agreement. Therefore, TOT has no right to claim that the Company was in breach of the agreement and, therefore could not claim for any related loss.

There is no conclusion on this matter, therefore, the Company and TOT still issued the claim letters to each other for domestic long-distance fee cumulative to January 2005 in the amount of Baht 696,186,437.

Because, as stated above, the Company did not agree to participate with TOT in the market testing of the domestic long-distance telephone network during July 1, 2004 to December 31, 2004, TOT has charged the Company for the use of its IP Network, which is used for providing the services of the domestic long-distance telephone in economy price (Y-Tel 1234), at the previous agreed rate in the letter dated October 11, 2001. The amount charged by TOT to the Company for the use of its IP Network for the period from July 1, 2004 to December 31, 2004 was Baht 135 million. The Company, however, has to provide this service to its customers at the same economy rate as charged by TOT to TOT's customers. The Company requested TOT to reduce its charge to the Company for use of its IP Network to the rate used during the market testing period as stipulated in the memorandum of understanding (2nd revised) in 2003 (MOU). The Company has recorded and paid for the use of TOT's IP Network for the period from July 1, 2004 to December 31, 2004 in accordance with the rate stipulated in the aforementioned MOU, amounting to Baht 98 million. This amount is Baht 37 million less than the amount charged to the Company by TOT. Later, TOT has charged the Company for the period from January to March 2005 an amount of Baht 40 million whereas the Company has recorded and paid for the IP Network an amount of Baht 28 million, which is Baht 12 million less than the amount charged to the Company by TOT.

On April 11, 2005, TOT informed the Company that TOT agreed to extend the aforementioned MOU, for providing the services of the domestic long distance telephone in economy price (Y-Tel 1234), with the Company to cover the period from July 1, 2004 to June 30, 2005. The Company and TOT are in the process of preparing the MOU for signing.

19.8 On April 8, 2005, the Company submitted an arbitration claim with the Thai Arbitration Institute, the Alternative Dispute Resolution Office, the Office of the Judiciary, in order to claim against TOT for the network utilization or access charged or should have been charged by TOT from the mobile operators according to the Joint Operate and Joint Investment Agreement between TOT and the Company. The Company's claim, as of March 31, 2005, is in the amount of Baht 28,096 million, including interest at a rate of MLR+1% on the aforementioned amount until payment in full. The Company's claim also requests the normal payment by TOT of the access charges commencing from April 1, 2005 onwards until the expiry of the period under the Joint Operate and Joint Investment Agreement.

20. SUBSEQUENT EVENTS

20.1 On April 1, 2005, the Company entered into an agreement in providing technical and advisory services for internet jointly with the subsidiary company. The Company will provide services as follows:

- Will act as a call center attending to all the complaints, and providing required information for the company clients, including help solving all the problems requested.
- Arrange the printing of receipts and/or invoices.
- Provide engineering services, such as technical advisory services in setting up the system and equipment to support the clients.

The Company will receive monthly service fee based on type of the clients and at the rate stated in the agreement. The agreement is valid for one year and renewable each time for a year. Either signatory to the agreement may terminate by giving an advance notice to the other not less than 60 days.

20.2 The 2005 Annual General Meeting of Shareholder held on April 28, 2005 passed a resolution for the incorporation of additional objectives for allocation of the remaining 3,048,850,758 ordinary shares as follows:

- a) To reserve 39,000,000 shares for the exercise of the Company's warrants, i.e. warrants issued under the Company's Debt Restructuring Plan (RPW) and warrants offered to Tranche C Creditors for two portions (TCW1 and TCW2). This is in reserve for the exercise right adjustment which may cause an increase in the original rate of exercise right (if any).
- b) To reserve 3,009,850,758 shares for offering all or part thereof to investors on a private placement basis according to the Notification of the Securities and Exchange Commission.
- c) In case there are any capital increase ordinary shares remaining from the reserve for the exercise of the Company's warrants as a result of the Company's right adjustment and the allocation for offering to investors on a private placement basis as described above, such remaining ordinary shares shall be allocated for public offering at the offer price of not less than Baht 4.10 per share. The Company must have accumulated loss at the time of issuance of offering the shares.

In addition, the 2005 Annual General Meeting of shareholders resolved and approved the issuance and offering of warrants to purchase the Company's shares to the directors and executives of the Company and its subsidiaries (Equity Stock Option Plan ; ESOP). The ESOP warrants have 5 years from the issuing and offering date and have allowed for exercise in the following proportion:

In year 1 : exercisable up to 20% of the total warrants allocated.
In year 2 : exercisable up to 40% of the total warrants allocated.
In year 3 : exercisable up to 60% of the total warrants allocated.
In year 4 : exercisable up to 80% of the total warrants allocated.
In year 5 : exercisable the remaining of the warrants allocated.

Preliminary details of this issuance and offering of ESOP warrants are as follows:

Type of warrant	: Bearer and non-transferable right to purchase common share of the Company
Amount of warrants offered	: 63.5 million units for ESOP warrant 2005/1 : 36.5 million units for ESOP warrant 2005/2
Offering price per unit	: Baht 0 per unit
Exercise ratio	: 1 warrant : 1 common share
Exercise price	: ESOP warrant 2005/1 - Baht 6 or averaged closing price the Company's ordinary shares traded on the Stock Exchange of Thailand during 30 day period prior to the date of the shareholders' Meeting, whichever is higher. : ESOP warrant 2005/2 - Baht 10
Number of common shares allotted and reserved for the warrants	: 63.5 million shares for ESOP warrant 2005/1 : 36.5 million shares for ESOP warrant 2005/2
Term of issuing and offering warrants	: within 1 year from the date of approval by the office of the Securities and Exchange Commission

21. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 2004 financial statements have been reclassified to conform to the 2005 interim financial statement presentation.

22. APPROVAL FOR THE FINANCIAL STATEMENTS

The interim financial statements have been approved by the directors of the Company.