

Internal Control

The Company realizes the significance of its internal control system which is sufficiently efficient to prevent or minimize risks which might arise to the Company. The Board of Directors has formed the Internal Audit Office to audit the work operation system in various departments of the Company as per the annual audit plan approved by the Audit Committee to ensure each department's efficient and effective performance of work and optimized use of the Company's resources. This also includes the control of the performance of work in accordance with the law and regulations of the government agencies, as well as the timely preparation of accurate and reliable financial reports. Furthermore, to ensure the Internal Audit Office's independence in the audit and counterbalancing, the Company requires the Internal Audit Office to directly report the audit results to the Audit Committee.

In regard to risk management, the Company has major concern on this matter by taking into account various risk factors currently sustained or threatened to be sustained in the future by the Company to analyze impact and possibility of such risks and to determine measures to prevent and deal with such risks. The results of such analysis are used to prepare report on risk management and this matter is regularly monitored. The significant risk factors are described in Risk Factors on pages 18 to 22.

The Board of Directors and the Audit Committee have evaluated the internal control system as per the internal control adequacy evaluation form in the Board of Directors meeting on 27 February 2006 and concluded that the Company's internal control system was considered adequate and appropriate for it could prevent improper or unauthorized use of the property of the Company and the Subsidiary. Up until now, there has never been any material fault in the internal control system. Furthermore, the Board of Directors emphasizes that the Company should develop its good corporate governance system in accordance with the 15 Clauses of the Good Corporate Governance of the Stock Exchange of Thailand.

Connected Transactions

- (1) Transactions with persons who may have conflict of interest are subject to the conditions and criteria in the ordinary course of business. The execution of connected transactions and transactions with conflict of interest are in accordance with the regulations of the Stock Exchange of Thailand.

In the consideration and approval of any connected transaction, the Company shall propose such matter to the Board of Directors meeting, in which the directors having any involvement which may give rise to a conflict of interest shall not be entitled to attend and vote on such matter. Furthermore, the Audit Committee, as assigned by the Board of Directors, shall consider the disclosure of the Company's information in respect of the connected transaction or the transaction which may have conflict of interest, to ensure accuracy and completeness.

- (2) During the year 2005, the Company executed connected transactions with a party who may have conflict, namely, CH. Karnchang Public Company Limited, as it is a major shareholder of the Company and the Chairman of the Executive Boards of both companies is the same person, and one executive in CH. Karnchang Public Company Limited is the spouse of an executive of the Company. The connected transactions are as follows:

1. Purchase of Ordinary Shares in SouthEast Asia Energy Limited

On 17 August 2005, the Company purchased 1.25 million ordinary shares in SouthEast Asia Energy Limited from CH. Karnchang Public Company Limited, representing 12.50 percent of the registered capital of Baht 100 Million, at the price equal to the par value of Baht 10 per share, totaling Baht 12.50 Million. Thereafter in November 2005, SouthEast Asia Energy Limited passed a resolution to increase the registered capital from Baht 100 Million to Baht 400 Million, by issuing 30 million ordinary shares for capital increase at the par value of Baht 10 per share and calling for payment for shares at the rate of 25 percent. The Company exercised the right to purchase such ordinary shares for capital increase as per the existing shareholding ratio.

2. Purchase of Ordinary Shares in Thai Tap Water Supply Co., Ltd.

On 29 August 2005, the Company purchased 1.45 million ordinary shares in Thai Tap Water Supply Co., Ltd. from CH. Karnchang Public Company Limited, representing 4.83 percent of the registered capital, at the price of Baht 290 per share, totaling Baht 420.50 Million, and the Company has already paid for such shares.

3. Inspection, Repair and Improvement of the Second Stage Expressway, Phase III

On 1 March 2005, the Company executed a contract engaging CH. Karnchang Public Company Limited for repair and improvement of the structure of the Second Stage Expressway, and for improvement of the traffic control system equipment. The contract had a term of 10 months from the execution date with the total value of Baht 76.19 Million.

4. Construction of Flyover Crossing Prachachuen Road

On 1 October 2004, the Company executed a contract engaging CH. Karnchang Public Company Limited for construction of a flyover crossing Prachachuen Road to facilitate the traffic flow from the Expressway exit at Prachachuen 2, with the total value of Baht 98.00 Million.

In the year 2004, the Company made payment for the work in the amount of Baht 21.58 Million and made payment for the remaining in the amount of Baht 76.42 Million in the year 2005.

5. Repair of At-Grade Road and Improvement of Drainage System of the Bang Pa-in - Pak Kret Expressway

On 1 November 2005, the Subsidiary executed a contract engaging CH. Karnchang Public Company Limited for repair of an at-grade road and improvement of the drainage system of the Bang Pa-in - Pak Kret Expressway. The contract had a term of 3 months from the execution date with total value of Baht 20.82 Million.

In the year 2005, the Subsidiary made payment for the work in the amount of Baht 11.60 Million.

The information on connected transactions for the year ending 31 December 2005 has been disclosed in Note 4 to the Financial Statements. The Board of Directors and the Audit Committee have reviewed such connected transactions by the Company and found the same justified.