

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY  
REPORT AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2007

## Review Report of Independent Auditor

To the Shareholders of Thai Tap Water Supply Public Company Limited


I have reviewed the accompanying consolidated balance sheet of Thai Tap Water Supply Public Company Limited and its subsidiary as at 31 March 2007, the related consolidated statements of income, changes in shareholders' equity and cash flows for the three-month period ended 31 March 2007, and the separate financial statements of Thai Tap Water Supply Public Company Limited for the same period. These financial statements are the responsibility of the Company's and its subsidiary's managements as to their correctness and the completeness of the presentation. My responsibility is to issue a report on these financial statements based on my review.

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

Based on my review, 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 have previously audited the consolidated financial statements of Thai Tap Water Supply Public Company Limited and its subsidiary and the separate financial statements of Thai Tap Water Supply Public Company Limited for the year ended 31 December 2006 in accordance with generally accepted auditing standards and expressed an unqualified opinion on those statements under my report dated 12 March 2007. The consolidated and separate balance sheets as at 31 December 2006, as presented herein for comparative purposes, formed an integral part of the financial statements which I audited and reported on. The Company restated the separate financial statements to reflect the change in accounting policy for recording investments in subsidiary from the equity method to the cost method as described in Note 2 to the financial statements. In my opinion, the adjustments made for the preparation of such statements are appropriate and have been properly applied. I have not performed any other audit procedures subsequent to the date of that report.

The consolidated statements of income, changes in shareholders' equity and cash flows for the three-month period ended 31 March 2006 of Thai Tap Water Supply Company Limited and its subsidiary and the separate financial statements of Thai Tap Water Supply Company Limited, as presented herein for comparative purposes, formed an integral part of the interim financial statements which were reviewed by another auditor of our firm who reported, under his report dated 9 May 2006, that based on his review nothing had come to his attention that caused him to believe that those financial statements were not presented fairly, in all material respects, in accordance with generally accepted accounting principles. The Company has restated the separate financial statements to reflect the change in accounting policy for recording investment in subsidiary from the equity method to the cost method as described in Note 2 to the financial statements. In my opinion, the adjustments made for the preparation of such statements are appropriate and have been properly applied.



Supachai Phanyawattano

Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited

Bangkok : 11 May 2007

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

BALANCE SHEETS

(Unit : Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 March 2007 (Unaudited but reviewed)	31 December 2006 (Audited)	31 March 2007 (Unaudited but reviewed)	31 December 2006 (Audited) (Restated)
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	4	498,798	356,130	490,742	352,959
Current investments	5	601,000	695,000	580,000	670,000
Trade accounts receivable	6	178,324	217,596	178,324	217,596
Other receivable - subsidiary	3	-	-	4,572	4,572
Raw materials and supplies		5,650	6,685	4,808	5,738
Other current assets					
Interest receivable		13,111	10,223	12,992	10,223
Prepaid expenses		29,849	18,004	29,442	17,887
Others		1,523	3,023	1,300	1,732
<b>TOTAL CURRENT ASSETS</b>		<b>1,328,255</b>	<b>1,306,661</b>	<b>1,302,180</b>	<b>1,280,707</b>
<b>NON-CURRENT ASSETS</b>					
Investments in subsidiary	2, 7	-	-	700,000	700,000
Property, plant and equipment, net	8	9,379,278	9,355,964	9,317,269	9,293,249
Other non-current assets					
Withholding tax deducted at source		5,501	4,272	4,416	4,272
Others		5,048	15,048	5,036	15,036
<b>TOTAL NON-CURRENT ASSETS</b>		<b>9,389,827</b>	<b>9,375,284</b>	<b>10,026,721</b>	<b>10,012,557</b>
<b>TOTAL ASSETS</b>		<b>10,718,082</b>	<b>10,681,945</b>	<b>11,328,901</b>	<b>11,293,264</b>

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

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

BALANCE SHEETS (Continued)

(Unit : Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 March 2007 (Unaudited but reviewed)	31 December 2006 (Audited)	31 March 2007 (Unaudited but reviewed)	31 December 2006 (Audited) (Restated)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Trade accounts payable					
Related parties	3	-	260	2,150	4,551
Unrelated parties		18,079	31,503	17,697	31,056
Retention payable		2,184	2,150	2,184	2,150
Current portion of long-term loans					
from financial institutions	9	775,950	700,000	775,950	700,000
Other current liabilities					
Accrued expenses		19,515	18,428	19,142	18,180
Unbilled output tax		11,807	9,940	11,666	9,698
Value added tax payable		7,876	8,145	7,772	8,145
Others		801	1,659	765	1,199
<b>TOTAL CURRENT LIABILITIES</b>		<b>836,212</b>	<b>772,085</b>	<b>837,326</b>	<b>774,979</b>
<b>NON-CURRENT LIABILITIES</b>					
Retention - subsidiary	3	-	-	5,000	5,000
Long-term loans from financial institutions, net of current portion	9	5,769,050	6,020,000	5,769,050	6,020,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5,769,050</b>	<b>6,020,000</b>	<b>5,774,050</b>	<b>6,025,000</b>
<b>TOTAL LIABILITIES</b>		<b>6,605,262</b>	<b>6,792,085</b>	<b>6,611,376</b>	<b>6,799,979</b>

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

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

BALANCE SHEETS (Continued)

(Unit : Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 March 2007 (Unaudited but reviewed)	31 December 2006 (Audited)	31 March 2007 (Unaudited but reviewed)	31 December 2006 (Audited) (Restated)
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	10				
Registered					
3,990,000,000 ordinary shares of Baht 1 each		3,990,000	3,990,000	3,990,000	3,990,000
Issued and fully paid up					
3,250,000,000 ordinary shares of Baht 1 each		3,250,000	3,250,000	3,250,000	3,250,000
Share premium		475,000	475,000	475,000	475,000
Retained earnings					
Appropriated - statutory reserve		51,602	51,602	51,602	51,602
Unappropriated		936,581	713,621	940,923	716,683
Difference on reorganization of business of group companies	7	(600,363)	(600,363)	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>4,112,820</b>	<b>3,889,860</b>	<b>4,717,525</b>	<b>4,493,285</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>10,718,082</b>	<b>10,681,945</b>	<b>11,328,901</b>	<b>11,293,264</b>

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

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 DIRECTORS  
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## THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## INCOME STATEMENTS

FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2007 AND 2006

(Unit : Thousand Baht, except earnings per share expressed in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006 (Restated)	2007	2006 (Restated)
<b>REVENUES</b>					
Sales of treated water		472,219	383,949	472,219	383,949
Interest income		7,752	2,351	7,548	2,351
<b>TOTAL REVENUES</b>		<b>479,971</b>	<b>386,300</b>	<b>479,767</b>	<b>386,300</b>
<b>EXPENSES</b>					
Cost of sales of treated water		127,396	132,316	126,778	137,260
Selling and administrative expenses		19,710	22,778	18,844	20,162
<b>TOTAL EXPENSES</b>		<b>147,106</b>	<b>155,094</b>	<b>145,622</b>	<b>157,422</b>
<b>INCOME BEFORE INTEREST EXPENSES AND INCOME TAX</b>					
		332,865	231,206	334,145	228,878
<b>INTEREST EXPENSES</b>		<b>(109,905)</b>	<b>(97,722)</b>	<b>(109,905)</b>	<b>(97,722)</b>
<b>CORPORATE INCOME TAX</b>	11	-	(698)	-	-
<b>NET INCOME FOR THE PERIOD</b>		<b>222,960</b>	<b>132,786</b>	<b>224,240</b>	<b>131,156</b>
<b>BASIC EARNINGS PER SHARE</b>					
Net income (Baht)	12	0.07	0.04	0.07	0.04
Weighted average number of ordinary shares (shares)		3,250,000,000	3,093,789,700	3,250,000,000	3,093,789,700

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

(UNAUDITED BUT REVIEWED)

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY  
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2007 AND 2006

(Unit : Thousand Baht)

Consolidated financial statements

	Issued and paid-up share capital	Share premium	Retained earnings		Difference on reorganization of business of group companies	Total
			Appropriated - statutory reserve	Unappropriated (Restated)		
Balance as at 1 January 2006	3,000,000	-	17,882	329,935	(Restated)	(Restated) 3,347,817
Issuance of additional ordinary shares (Note 10)	250,000	475,000	-	-	-	725,000
Net income for the period - restated	-	-	-	132,786	-	132,786
Difference on reorganization of business of group companies (Note 7)	-	-	-	-	(600,363)	(600,363)
Dividend payment (Note 14)	-	-	-	(94,500)	-	(94,500)
Balance as at 31 March 2006 - as restated	3,250,000	475,000	17,882	368,221	(600,363)	3,510,740
Balance as at 1 January 2007	3,250,000	475,000	51,602	713,621	(600,363)	3,889,860
Net income for the period	-	-	-	222,960	-	222,960
Balance as at 31 March 2007	3,250,000	475,000	51,602	936,581	(600,363)	4,112,820

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



(UNAUDITED BUT REVIEWED)

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY  
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)  
FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2007 AND 2006

(Unit : Thousand Baht)

	Separate financial statements					Total (Restated)
	Issued and paid-up share capital	Share premium	Retained earnings		Difference on reorganization of business of group companies (Restated)	
			Appropriated - statutory reserve	Unappropriated (Restated)		
Balance as at 1 January 2006	3,000,000	-	17,882	329,935	-	3,347,817
Issuance of additional ordinary shares (Note 10)	250,000	475,000	-	-	-	725,000
Net income for the period - restated (Note 2)	-	-	-	131,156	-	131,156
Dividend payment (Note 14)	-	-	-	(94,500)	-	(94,500)
Balance as at 31 March 2006 - as restated	3,250,000	475,000	17,882	366,591	-	4,109,473
Balance as at 1 January 2007 - as previously reported	3,250,000	475,000	51,602	713,621	(600,363)	3,889,860
Cumulative effect of the change in accounting policy for investments in subsidiary (Note 2)	-	-	-	3,062	600,363	603,425
Balance as at 1 January 2007 - as restated	3,250,000	475,000	51,602	716,683	-	4,493,285
Net income for the period	-	-	-	224,240	-	224,240
Balance as at 31 March 2007	3,250,000	475,000	51,602	940,923	-	4,717,525

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

## THAI-TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## CASH FLOW STATEMENTS

FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2007 AND 2006

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006 (Restated)	2007	2006 (Restated)
<b>Cash flows from operating activities</b>				
Net income for the period	222,960	132,786	224,240	131,156
Adjustments to reconcile net income to net cash provided by (paid from) operating activities :				
Depreciation	66,139	60,597	65,406	60,248
Income from operating activities before changes in operating assets and liabilities	289,099	193,383	289,646	191,404
Decrease (increase) in operating assets				
Trade accounts receivable	39,272	(17,989)	39,272	(17,989)
Other receivable	-	34,090	-	(2,001)
Other current assets	(12,198)	(11,487)	(12,960)	(13,437)
Other non-current assets	(6,230)	(89)	(5,145)	(89)
Increase (decrease) in operating liabilities				
Trade accounts payable - related parties	(260)	(96,933)	(2,401)	(58,507)
Trade accounts payable - unrelated parties	(13,424)	104	(13,360)	(3,200)
Other current liabilities	1,828	7,776	2,123	7,582
Net cash from operating activities	298,087	108,855	297,175	103,763
<b>Cash flows from investing activities</b>				
Increase (decrease) in current investments	94,000	(150,000)	90,000	(150,000)
Net cash payments for acquisition of investment in subsidiary (Note 7)	-	(660,539)	-	(700,000)
Increase in property, plant and equipment	(74,453)	(167)	(74,426)	(105)
Increase (decrease) in retention for construction	34	(6,615)	34	(6,615)
Net cash from (used in) investing activities	19,581	(817,321)	15,608	(856,720)

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

## THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## CASH FLOW STATEMENTS (Continued)

FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2007 AND 2006

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006 (Restated)	2007	2006 (Restated)
<b>Cash flows from financing activities</b>				
Cash received from issuance of additional ordinary shares	-	725,000	-	725,000
Repayment of long-term loans from financial institutions	(175,000)	(35,000)	(175,000)	(35,000)
Net cash from (used in) financing activities	(175,000)	690,000	(175,000)	690,000
Net increase (decrease) in cash and cash equivalents	142,668	(18,466)	137,783	(62,957)
Cash and cash equivalents at beginning of period	356,130	387,595	352,959	387,595
Cash and cash equivalents at end of period	498,798	369,129	490,742	324,638
<b>Supplemental cash flows information</b>				
Cash paid during the period for				
Interest expenses	111,212	98,644	111,212	98,644
Withholding tax deducted at source	259	2,019	48	-
Non-cash transactions				
Transfer deposits for purchase of land	15,000	-	15,000	-

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

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY  
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2007

**1. GENERAL INFORMATION**

**1.1 Corporate information**

Thai Tap Water Supply Public Company Limited (“the Company”) was incorporated as a limited company under the Civil and Commercial Code on 11 September 2000 and registered the change of its status to a public company limited under the Public Limited Companies Act B.E. 2535 on 6 July 2006. The Company operates in Thailand and its major shareholder is CH. Karnchang Public Company Limited, which was also incorporated in Thailand. The Company is principally engaged in the production and sale of treated water to the Provincial Waterworks Authority (PWA) in the Amphur Nakorn Chaisri, Amphur Sam Pran, and Amphur Budha Monthon areas of Nakhon Pathom and the Amphur Muang and Amphur Kratumban areas of Samut Sakhon, under the “Water Purchase Agreement” made with the PWA dated 11 September 2000, which covers a period of 30 years as from the Actual Commencement Date (21 July 2004), and under the Concession to operate treated water granted by the Ministry of Natural Resources and Environment (the concessionaire) for a period of 25 years commencing 11 March 2005. The Company has to comply with certain conditions as stipulated in the Water Purchase Agreement and the Concession.

Under the Concession, when the Company has completed half of the concession period, if the government or the local government agency wish to purchase the water production business of the Company, the concessionaire is entitled to cancel the concession in order to purchase it, or permit the relevant local government agency to purchase it, at market price. However, it must provide the Company with advance notice of six months of such action.

The Company’s registered address is 30/10 Moo 12, Budha Monthon 5 Road, RaiKhing, Sam Pran, Nakhon Pathom.

**1.2 Basis for preparation of interim financial statements**

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

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

**1.3 Basis of consolidation**

These consolidated financial statements include the financial statements of Thai Tap Water Supply Public Company Limited and its subsidiary and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2006. There have been no changes in the composition of the Group during the current period.

**1.4 Significant accounting policies**

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

**2. CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENTS IN SUBSIDIARY IN THE SEPARATE FINANCIAL STATEMENTS**

During the current period, the Company changed its accounting policy for recording investments in subsidiary in the separate financial statements from the equity method to the cost method, in compliance with Notification No. 26/2006 regarding Accounting Standard No. 44 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" (Amendment No. 1), issued by the Federation of Accounting Professions, under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method rather than the equity method.

In this regard, the Company has restated the previous period's separate financial statements as though the investments in the subsidiary had originally been recorded using the cost method. The effect of the change to the separate income statements for the three-month periods ended 31 March 2007 and 2006 is to increase net income by Baht 1.3 million and decrease net income by Baht 1.6 million, respectively. The cumulative effect of the change in accounting policy has been presented under the heading of "Cumulative effect of the change in accounting policy for investments in subsidiary" in the separate statements of changes in shareholders' equity.

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

**3. RELATED PARTY TRANSACTIONS**

During the periods, the Company and its subsidiary had significant business transactions with related parties. These transactions, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions.

(UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

For the three-month periods ended 31 March					
Consolidated financial statements		Separate financial statements		Transfer Pricing Policy	
2007	2006	2007	2006		
<b>Transactions with subsidiary company</b>					
Cost of production of treated water	-	45.5	4.7	70.8	Contract price

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March	31 December	31 March	31 December
	2007	2006	2007	2006
<b>Other receivable - subsidiary</b>				
- WaterFlow Company Limited	-	-	4,572	4,572
	-	-	4,572	4,572
<b>Trade accounts payable - related parties</b>				
<b>Subsidiary</b>				
- WaterFlow Company Limited	-	-	2,150	4,551
	-	-	2,150	4,551
<b>Related party</b>				
- CH. Karnchang Public Company Limited	-	260	-	-
	-	260	-	-
	-	260	2,150	4,551
<b>Retention - subsidiary</b>				
- WaterFlow Company Limited	-	-	5,000	5,000
	-	-	5,000	5,000

**Directors and management's remuneration**

The Company and the subsidiary paid salaries and bonus to their directors and management for the three-month period ended 31 March 2007 totaling Baht 1.2 million (The Company only : Baht 1.2 million) (2006 : Baht 2.3 million, The Company only : Baht 2.3 million).

**4. CASH AND CASH EQUIVALENTS**

The Company has pledged its right to receive deposits from bank accounts with outstanding balance as at 31 March 2007 of approximately Baht 491 million (31 December 2006 : Baht 353 million) with a group of lenders to secure long-term loans of the Company. The Company is able to withdraw these deposits for the use of regular operating expenses.

**5. CURRENT INVESTMENTS**

The balances of current investments represent the three-month period to twelve-month period fixed deposits, carrying interest between 4.0 and 5.25 percent per annum. The Company has pledged these fixed deposits with outstanding balance as at 31 March 2007 totaling Baht 580 million to secure long-term loans of the Company (31 December 2006 : Baht 670 million).

**6. TRADE ACCOUNTS RECEIVABLE**

As at 31 March 2007 and 31 December 2006, the outstanding balance of trade accounts receivable was over due less than 3 months.

**7. INVESTMENTS IN SUBSIDIARY**

(Unit : Thousand Baht)

Company's name	Separate financial statements					
	Paid-up capital		Shareholding percentage		Investments at cost	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006	31 March 2007	31 December 2006
	Million Baht	Million Baht	Percent	Percent		(Restated)
WaterFlow Company Limited	10	10	100	100	700,000	700,000
					700,000	700,000



**WaterFlow Company Limited**

On 27 February 2006, the Company purchased 100,000 ordinary shares of WaterFlow Company Limited from its then shareholders (these shares had formerly been held by related companies but had already been sold) at a price of Baht 7,000 per share, or for a total of Baht 700 million. This represents 100 percent of the share capital of that company. The share price is close to the value appraised by an independent financial advisor. However, since this purchase of the shares is made for the purpose of restructuring the organization of the group companies, the Company reflected the results of the share purchase in the year 2006 and recorded the difference between the acquisition cost of the investment and the attributable net book value of the subsidiary, amounting to Baht 600.36 million, as a separate item in shareholders' equity under the caption "Difference on reorganization of business of group companies" and has included the financial statements of this subsidiary in the consolidated financial statements from March 2006.

Valuation of acquired assets and liabilities as at the acquisition date of investments in WaterFlow Company Limited can be summarised below.

	(Unit : Thousand Baht)
Cash and cash equivalents	39,461
Trade account receivable	23,804
Other current assets	4,331
Other non-current assets	34
Property, plant and equipment	68,015
Trade accounts payable	(27,404)
Other current liabilities	(8,604)
Total net assets	<u>99,637</u>
Add : Difference on reorganization of business of group companies	600,363
Cash payments for acquisition of investments in subsidiary	<u>700,000</u>
Less : Cash and cash equivalents of subsidiary	(39,461)
Net cash payments for acquisition of investments in subsidiary	<u><u>660,539</u></u>

**8. PROPERTY, PLANT AND EQUIPMENT**

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

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2007	9,355,964	9,293,249
Acquisitions during period - at cost	74,453	74,426
Transfer in	15,000	15,000
Depreciation for period	(66,139)	(65,406)
Net book value as at 31 March 2007	<u>9,379,278</u>	<u>9,317,269</u>

The Company has mortgaged land and assets for production of treated water with a total net book value as at 31 March 2007 of Baht 9,301 million with a group of lenders to secure the loan facilities obtained from the group of lenders.

**9. LONG-TERM LOANS FROM FINANCIAL INSTITUTIONS/CURRENT PORTION OF LONG-TERM LOANS FROM FINANCIAL INSTITUTIONS**

	(Unit: Million Baht)	
	Consolidated financial statements/ Separate financial statements	
	31 March 2007	31 December 2006
Long-term loans	6,545	6,720
Less: Current portion	(776)	(700)
Long-term loans, net of current portion	<u>5,769</u>	<u>6,020</u>

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

	(Unit: Million Baht)
	Consolidated financial statements/ Separate financial statements
Balance as at 1 January 2007	6,720
Less: Repayment	(175)
Balance as at 31 March 2007	<u>6,545</u>

The Company has entered into long-term loans agreement with a group of domestic lenders formed by 3 commercial banks with a line of credit amounting to totaling Baht 7,000 million dividing to Baht 5,200 million Tranche A Facility and Baht 1,800 million Tranche B Facility. The interest rates for these loans are 7.75 percent per annum for Tranche A Facility and 8.25 percent per annum for Tranche B for the period as from May 2001 to October 2003, Minimum Loan Rate (MLR) for the period until the actual commencement date of sales occurred, MLR - 1% for the period of three years after the actual commencement date of sales occurred, and MLR or MLR - 1% (depend on certain conditions in the loan agreement) for the remaining periods. The loan principal is repayable on a quarterly basis commencing in January 2005. The loan repayment schedule for each year is as follows.

<u>Year</u>	<u>Loan repayment</u>
2005	2.00 percent
2006	2.00 percent
2007	10.00 percent
2008	14.34 percent
2009	14.34 percent
2010	14.34 percent
2011	14.34 percent
2012	14.34 percent
2013	14.30 percent

These loans are secured by the mortgage of the Company's land and construction thereon, the pledge of fixed-term bank deposits of the Company and the share certificates for the Company's shares, and the assignment of the Company's rights under the sales of treated water contract, its rights to funds deposited in bank accounts, and the beneficiary rights under insurance policies.

The loan agreements contain covenants that, among other things, require the Company to maintain certain debt to equity ratio.

#### 10. SHARE CAPITAL

On 10 January 2006, an Extraordinary General Meeting of the Company's shareholders passed a resolution approving the increase of the Company's registered share capital from Baht 3,000 million to Baht 3,250 million through the issuance of 2.5 million new ordinary shares with a par value of Baht 100 each to existing shareholders at an offer price of Baht 290 per share, or a total of Baht 725 million. The Company registered the increase in its registered share capital to Baht 3,250 million with the Ministry of Commerce on 27 February 2006.

On 23 June 2006, an Extraordinary General Meeting of the Company's shareholders passed a resolution approving a change in the par value of the Company's shares, such that they would be split from 32.5 million ordinary shares of Baht 100 each into 3,250 million ordinary shares of Baht 1 each. The Company registered the change in the par value of its shares with the Ministry of Commerce on 6 July 2006.

On 26 September 2006, an Extraordinary General Meeting of the Company's shareholders passed a resolution approving the increase of the Company's registered share capital from Baht 3,250 million to Baht 3,990 million through the issuance of 740 million new ordinary shares with a par value of Baht 1 each. The allocation of the additional ordinary shares is to be as follows:

- 1) 40 million ordinary shares are to be allocated and offered, in whole or in part, to directors, management, and employees of the Company and the subsidiary at a price equivalent to book value as at the latest fiscal year-end. These may be offered on one or several occasions. Any ordinary shares remaining after the allocation are to be allocated by means of public offerings. These offers may be in Thailand and/or abroad and made on one or several occasions, in whole or in part. In this regard, the Board of Directors or any persons assigned by the Company's Board of Directors is granted the authority to determine the allocation of offering rights, and all details and conditions in respect of the number of ordinary shares to be offered on each occasion, the offer period, the payment of the share price and the offer price, including the allocation of any ordinary shares remaining after the offering rights and the listing of the Company's ordinary shares as securities on the Stock Exchange of Thailand.
- 2) 700 million ordinary shares are to be allocated and offered, in whole or in part, to the public. These may be offered on one or several occasions. Any shares remaining after this allocation are to be allocated, in whole or in part, by means of private placement and/or to institutional investors, in accordance with the relevant Notifications of the Securities and Exchange Commission, on one or several occasions.

In this regard, the Board of Directors or any persons assigned by the Company's Board of Directors are granted the authority to arrange all significant matters in relation to the issuance and offer of these shares, including the determination of the number of ordinary shares to be offered on each occasion, the offer period, the payment of the share price and the offer price, together with the listing of the Company's ordinary shares as securities on the Stock Exchange of Thailand.

On 24 October 2006, the Company registered an increase in its share capital to Baht 3,990 million, comprising 3,990 million ordinary shares of Baht 1 each, with the Ministry of Commerce. The Company has yet to allot these new ordinary shares.

## 11. PROMOTIONAL PRIVILEGES

The Company has received promotional privileges from the Board of Investment for production of treated water, pursuant to the promotion certificate No. 1382(2)/2545 issued on 19 June 2002. Subject to certain imposed conditions, the main privileges include the following:

- Exemption of import duty on imported machinery under specified condition.
- Exemption from corporate income tax on net income from promoted operations for a period of eight years from the date the promoted operations commenced generating revenues (21 July 2004).

No interim corporate income tax was payable on the net income from non-promoted operations for the three-month periods ended 31 March 2007 and 2006, since the Company had tax loss brought forward from previous years over its net income for the periods.

## 12. BASIC EARNINGS PER SHARE

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

For comparative purposes, the prior period's basic earnings per share has been recalculated to reflect the impact of the share split as discussed in Note 10.

## 13. FINANCIAL INFORMATION BY SEGMENT

The Company's and the subsidiary's operations involve a single industry segment, the production and sell of treated water and are carried on in the single geographic area of Thailand. As a result, all of the revenues, operating profits (losses) and assets reflected in these financial statements pertain to the aforementioned industry segment and geographic area.

## 14. DIVIDENDS

On 23 January 2006, a meeting of the Board of Directors passed a resolution approving the payment of an interim dividend from the earnings of the promoted operations for the period as from 1 July 2005 to 31 December 2005 of Baht 3.15 per share, to the shareholders listed in the share register as at 31 December 2005, or a total of Baht 94.5 million and the Annual General Meeting of the Company's shareholders approved this dividend payment on 24 March 2006. The Company paid such interim dividend on 19 May 2006.

On 12 March 2007, a meeting of the Board of Directors passed a resolution to propose a dividend payment for the year 2006 of Baht 0.10 per share to the Annual General Meeting of the Company's shareholders for approval. The Company paid an interim dividend of Baht 0.05 per share on 15 September 2006 and will pay a final dividend of Baht 0.05 per share on 9 May 2007. These dividend payments were approved by the Annual General Meeting of the Company's shareholders for the year 2007 on 10 April 2007. The final dividend will be recorded in the second quarter of the year 2007.

## 15. COMMITMENTS AND CONTINGENT LIABILITIES

### 15.1 Service commitments

- a) As at 31 March 2007, the Company had commitments under a service agreement with a financial advisory company and other service agreements whereby the Company is required to pay service fees totaling Baht 3.1 million. Moreover, the Company had commitments to pay underwriting fees calculated at a certain percentage of securities sales.
- b) The Company has entered into an operation and maintenance agreement with the subsidiary, whereby the subsidiary is to manage the production and supply of treated water and maintenance. Under the conditions of the agreement, the Company is to pay service fees at a rate stipulated in the agreement.

### 15.2 Bank guarantees

As at 31 March 2007, there were outstanding bank guarantees of approximately Baht 66 million issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

### 15.3 Litigation

In October 2004, the Provincial Waterworks Authority filed a claim against the Company with the Thai Arbitration Institute, requesting the arbitrators to order the Company to pay all expenses related to the production and distribution of water under the Water Purchase Agreement between the Provincial Waterworks Authority and the Company.

Subsequently, in February 2005, the Company filed a statement of defense and a counterclaim against the Provincial Waterworks Authority, requesting the arbitrators to order the Provincial Waterworks Authority to pay the Department of Highways annual rental for land in a highway area used for the installation of a water mains for a local distribution network. Such rental amounted to approximately Baht 13 million per annum.

At present, both parties are attempting to negotiate a fair resolution of the matters in dispute. The arbitration proceedings have not yet commenced.

During the second quarter of the year 2006, the Company paid the Department of Highways rental for land use totaling Baht 58.9 million, including penalties. No provision for loss as a result of the dispute has been set aside in the accounts since the Company's management believes that no material financial loss will result.

#### **16. DISCOUNT ON SALES OF TREATED WATER**

The Water Purchase Agreement between the Company and the Provincial Waterworks Authority stipulates that the Company has to pay compensation to the Provincial Waterworks Authority for the cost saving as a result of the Company not being required to supply shortfall quantities. The compensation is calculated by multiplying the amount by which the actual quantity of treated water purchased is less than the minimum offtake quantity by the discount rate stipulated in the agreement. Under the agreement, compensation is to be accumulated and later paid to the Provincial Waterworks Authority by means of a deduction against treated water charges for quantities in excess of the minimum offtake quantity that the Provincial Waterworks Authority has to pay the Company, beginning when the Company has paid all indebtedness due to the lenders under the long-term loans agreement, and discharged all obligations thereunder. However, since the amount of compensation payable is immaterial the Company has not recorded it as a deduction against sales in the accounts.

#### **17. SUBSEQUENT EVENTS**

On 10 April 2007, the Annual General Meeting of the Company's shareholders for the year 2007 approved the allocation of retained earnings of the Company amounting to Baht 347.4 million to the statutory reserve. As a result, the Company's statutory reserve will amount to Baht 399 million.

#### **18. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

These interim financial statements were authorised for issue by the Board of Directors on 11 May 2007.