

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY
REPORT AND INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2006

Review Report of Independent Auditor

To The Board of Directors and Shareholders of
Thai Tap Water Supply Company Limited

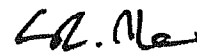
I have reviewed the accompanying consolidated balance sheet of Thai Tap Water Supply Company Limited and its subsidiary as at 30 June 2006, the related consolidated statements of earnings for the three-month and six-month periods ended 30 June 2006, and the related consolidated statements of changes in shareholders' equity and cash flows for the six-month periods ended 30 June 2006, and the separate financial statements of Thai Tap Water Supply Company Limited for the same periods. 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.

The financial statements of Thai Tap Water Supply Company Limited for the year ended 31 December 2005, were audited in accordance with generally accepted auditing standards by another auditor in my office, who expressed an unqualified opinion on those statements under her report dated 23 February 2006. The balance sheet as at 31 December 2005, as presented herein for comparative purposes, formed an integral part of the financial statements which that auditor audited and reported on.

The statements of earnings for the three-month and six-month periods ended 30 June 2005, the statements of changes in shareholders' equity and cash flows for the six-month period ended 30 June 2005 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 in my office who, under the report dated 24 August 2005, reported that nothing had come to her attention that caused her to believe that the aforementioned financial statements were not presented fairly, in all material respects, in accordance with generally accepted accounting principles, based on her review.



Supachai Phanyawattano

Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited

Bangkok : 18 August 2006

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY

BALANCE SHEETS

(Unit : Thousand Baht)

	Note	Consolidated	The Company Only	
		30 June 2006 (Unaudited but reviewed)	30 June 2006 (Unaudited but reviewed)	31 December 2005 (Audited)
ASSETS				
CURRENT ASSETS				
Cash and deposits at financial institutions	2	325,736	315,935	387,595
Current investment	3	500,000	475,000	285,000
Trade accounts receivable		141,903	141,903	126,433
Other receivable - subsidiary	8	-	-	10,286
Inventories		6,289	5,217	-
Other current assets				
Interest receivable		3,137	3,137	4,542
Prepaid expenses		25,499	25,330	4,372
Others		2,468	1,372	2,215
TOTAL CURRENT ASSETS		1,005,032	967,894	820,443
NON-CURRENT ASSETS				
Restricted bank deposit	4	5,000	-	-
Investments accounted for under equity method				
- subsidiary	5	-	690,421	-
Property, plant and equipment, net	6	9,480,823	9,414,084	9,536,450
Other non-current assets				
Goodwill on consolidation, net		590,357	-	-
Withholding tax deducted at source		4,293	4,294	4,035
Others		70	36	36
TOTAL NON-CURRENT ASSETS		10,080,543	10,108,835	9,540,521
TOTAL ASSETS		11,085,575	11,076,729	10,360,964

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

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY

BALANCE SHEETS (Continued)

(Unit : Thousand Baht)

	Note	Consolidated	The Company Only	
		30 June 2006 (Unaudited but reviewed)	30 June 2006 (Unaudited but reviewed)	31 December 2005 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Trade accounts payable				
Related parties	8	-	1,897	85,610
Other companies		22,402	14,450	10,506
Retention payable				
Related party	8	-	-	6,600
Other companies		2,125	2,125	2,080
Current portion of long-term loans				
from financial institutions	7	420,000	420,000	140,000
Other current liabilities				
Accrued expenses		17,798	17,311	31,943
Unbilled output tax		9,407	9,283	8,944
Value added tax payable		8,034	7,930	6,387
Corporate income tax payable		1,921	-	-
Others		429	274	1,077
TOTAL CURRENT LIABILITIES		482,116	473,270	293,147
NON-CURRENT LIABILITIES				
Long-term loans from financial institutions,				
net of current portion	7	6,370,000	6,370,000	6,720,000
TOTAL NON-CURRENT LIABILITIES		6,370,000	6,370,000	6,720,000
TOTAL LIABILITIES		6,852,116	6,843,270	7,013,147

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

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY

BALANCE SHEETS (Continued)

(Unit : Thousand Baht)

	Note	Consolidated	The Company Only	
		30 June 2006	30 June 2006	31 December 2005
		(Unaudited but reviewed)	(Unaudited but reviewed)	(Audited)
SHAREHOLDERS' EQUITY				
Share capital	9			
Registered				
32,500,000 ordinary shares of Baht 100 each				
(31 December 2005 : 30,000,000 ordinary shares of Baht 100 each)		3,250,000	3,250,000	3,000,000
Issued and paid up				
32,500,000 ordinary shares of Baht 100 each, fully paid				
(31 December 2005 : 30,000,000 ordinary shares of Baht 100 each, fully paid)		3,250,000	3,250,000	3,000,000
Share premium		475,000	475,000	-
Retained earnings				
Appropriated - statutory reserve		17,882	17,882	17,882
Unappropriated		490,577	490,577	329,935
TOTAL SHAREHOLDERS' EQUITY		4,233,459	4,233,459	3,347,817
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		11,085,575	11,076,729	10,360,964

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

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DIRECTORS
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(UNAUDITED BUT REVIEWED)

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF EARNINGS

FOR THE THREE-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

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

	Note	Consolidated	The Company Only	
		2006	2006	2005
REVENUES				
Sales of treated water		395,924	395,924	338,696
Interest income		5,434	5,325	620
TOTAL REVENUES		401,358	401,249	339,316
EXPENSES				
Cost of sales of treated water		119,469	114,270	125,399
Selling and administrative expenses	10	45,970	42,353	10,487
Share of loss from investments accounted for under equity method		-	8,707	-
TOTAL EXPENSES		165,439	165,330	135,886
EARNINGS BEFORE INTEREST EXPENSES		235,919	235,919	203,430
INTEREST EXPENSES		(111,061)	(111,061)	(84,364)
NET EARNINGS FOR THE PERIOD	11	124,858	124,858	119,066
BASIC EARNINGS PER SHARE				
Net earnings (Baht)		3.84	3.84	3.97
Weighted average number of ordinary shares (shares)		32,500,000	32,500,000	30,000,000

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

(UNAUDITED BUT REVIEWED)

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF EARNINGS

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

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

	Note	Consolidated	The Company Only	
		2006	2006	2005
REVENUES				
Sales of treated water		779,873	779,873	673,669
Interest income		7,785	7,676	620
TOTAL REVENUES		787,658	787,549	674,289
EXPENSES				
Cost of sales of treated water		251,785	251,530	249,489
Selling and administrative expenses	10	71,250	62,515	17,644
Share of loss from investments accounted for under equity method		-	9,579	-
TOTAL EXPENSES		323,035	323,624	267,133
EARNINGS BEFORE INTEREST EXPENSES AND INCOME TAX		464,623	463,925	407,156
INTEREST EXPENSES		(208,783)	(208,783)	(167,297)
CORPORATE INCOME TAX	11	(698)	-	-
NET EARNINGS FOR THE PERIOD		255,142	255,142	239,859
BASIC EARNINGS PER SHARE				
Net earnings (Baht)		8.04	8.04	8.00
Weighted average number of ordinary shares (shares)		31,723,264	31,723,264	30,000,000

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

(UNAUDITED BUT REVIEWED)

THAITAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

(Unit : Thousand Baht)

	Consolidated				
	Issued and paid-up		Retained earnings		
			Appropriated -		Total
share capital	Share premium	statutory reserve	Unappropriated		
Balance - as at 1 January 2006	3,000,000	-	17,882	329,935	3,347,817
Issuance of additional ordinary shares (Note 9)	250,000	475,000	-	-	725,000
Net earnings for the period	-	-	-	255,142	255,142
Dividend payment (Note 12)	-	-	-	(94,500)	(94,500)
Balance - as at 30 June 2006	<u>3,250,000</u>	<u>475,000</u>	<u>17,882</u>	<u>490,577</u>	<u>4,233,459</u>

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

(UNAUDITED BUT REVIEWED)

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

(Unit : Thousand Baht)

	The Company Only				Total
	Issued and paid-up		Retained earnings		
			Appropriated -		
share capital	Share premium	statutory reserve	Unappropriated		
Balance - as at 1 January 2005	3,000,000	-	-	117,780	3,117,780
Net earnings for the period	-	-	-	239,859	239,859
Balance - as at 30 June 2005	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>357,639</u>	<u>3,357,639</u>
Balance - as at 1 January 2006	3,000,000	-	17,882	329,935	3,347,817
Issuance of additional ordinary shares (Note 9)	250,000	475,000	-	-	725,000
Net earnings for the period	-	-	-	255,142	255,142
Dividend payment (Note 12)	-	-	-	(94,500)	(94,500)
Balance - as at 30 June 2006	<u>3,250,000</u>	<u>475,000</u>	<u>17,882</u>	<u>490,577</u>	<u>4,233,459</u>

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

(UNAUDITED BUT REVIEWED)

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

(Unit : Thousand Baht)

	Consolidated	The Company Only	
	2006	2006	2005
Cash flows from (used in) operating activities			
Net earnings for the period	255,142	255,142	239,859
Adjustments to reconcile net earnings to net cash provided by (paid from) operating activities:			
Depreciation	124,908	123,527	109,636
Share of loss from investments accounted for under equity method	-	9,579	-
Amortisation of goodwill	10,006	-	-
	<u>390,056</u>	<u>388,248</u>	<u>349,495</u>
Decrease (increase) in operating assets			
Trade accounts receivable	(15,470)	(15,470)	53,045
Other receivable - subsidiary	34,090	10,286	(1,504)
Inventories	(3,273)	(5,217)	-
Value added tax refundable	-	-	784
Prepaid expenses	(20,775)	(20,958)	(3,821)
Other current assets	2,116	2,248	(7,523)
Other non-current assets	(258)	(258)	-
Increase (decrease) in operating liabilities			
Trade accounts payable - related parties	(97,084)	(83,713)	(9,231)
Trade accounts payable - other companies	(4,034)	3,944	-
Unbilled output tax	(1,094)	339	(10,864)
Accrued expenses	(14,450)	(14,632)	7,660
Corporate income tax payable	(4,120)	-	-
Other current liabilities	297	738	2,359
Net cash from operating activities	<u>266,001</u>	<u>265,555</u>	<u>380,400</u>

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

THAI TÁP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF CASH FLOWS (Continued)

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

(Unit : Thousand Baht)

	<u>Consolidated</u>	<u>The Company Only</u>	
	<u>2006</u>	<u>2006</u>	<u>2005</u>
Cash flows from (used in) investing activities			
Increase in current investment	(215,000)	(190,000)	(200,000)
Increase in restricted bank deposit	(5,000)	-	-
Increase in investment in subsidiary	-	(700,000)	-
Net cash payments for acquisition of investment in subsidiary (Note 5)	(660,539)	-	-
Increase in property, plant and equipment	(1,267)	(1,161)	(86)
Increase (decrease) in retention payable	(6,554)	(6,554)	55
Net cash used in investing activities	<u>(888,360)</u>	<u>(897,715)</u>	<u>(200,031)</u>
Cash flows from (used in) financing activities			
Cash received from issuance of additional ordinary shares	725,000	725,000	-
Decrease in long-term loans from financial institutions	(70,000)	(70,000)	(70,000)
Dividend paid	(94,500)	(94,500)	-
Net cash from (used in) financing activities	<u>560,500</u>	<u>560,500</u>	<u>(70,000)</u>
Net increase (decrease) in cash and cash equivalents	(61,859)	(71,660)	110,369
Cash and cash equivalents at beginning of period	<u>387,595</u>	<u>387,595</u>	<u>162,814</u>
Cash and cash equivalents at end of period	<u><u>325,736</u></u>	<u><u>315,935</u></u>	<u><u>273,183</u></u>
Supplemental cash flows information			
Cash paid during the period for			
Interest expenses	209,665	209,665	167,297
Corporate income tax and withholding tax deducted at source	7,089	55	6

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

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO INTERIM FINANCIAL STATEMENTS

30 JUNE 2006

1. GENERAL INFORMATION

1.1 Corporate information

Thai Tap Water Supply Company Limited was incorporated as a limited company under Thai laws. The Company operates in Thailand and is principally engaged in the production and sell of treated water in Nakhon Pathom and Samut Sakhon in accordance with the rights granted under the "Water Purchase and Sales Agreement" made with the Provincial Waterworks Authority, dated 21 September 2000, for a period of 30 years as from the Actual Commencement Date. The major shareholder of the Company is CH. Karnchang Public Company Limited, a company also registered under Thai laws. Its registered office is located at 30/10 Moo 12, Rai Khing, Sam Phran, 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 earnings, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

These 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

The consolidated financial statements for the three-month and six-month periods ended 30 June 2006 include the financial statements of Thai Tap Water Supply Company Limited (hereinafter called "the Company") and WaterFlow Company Limited (hereinafter called "the subsidiary") in which the Company has acquired in March 2006 and holds 99.99 percent interest. The subsidiary's principal activity is operating and maintenance of water supply project.

Assets of the subsidiary as included in the consolidated financial statements as at 30 June 2006 comprise 1 percent of the total and there are no revenues of the subsidiary included in the consolidated financial statements for the three-month and six-month periods ended 30 June 2006.

Material intercompany balances and transactions and investment in subsidiary in the Company's accounts and the subsidiary's share capital are eliminated on consolidation.

Results of operations of the subsidiary have been included in the consolidated financial statements from the effective date of acquisition.

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 2005, with the following additional policies have been used during the current period.

a) Investments in subsidiary

Investments in subsidiary (in the separate financial statements of the Company) are stated under the equity method of accounting. Under this method, investments are recorded at costs. For each subsequent period, investments are adjusted to incorporate the Company's proportionate share of the operating results in the subsidiary.

b) Goodwill on consolidation

Goodwill on consolidation which was incurred from the investments in subsidiary being made at costs higher than the subsidiary's net book value, is regarded as assets and amortised on a straight-line basis over a period of 20 years.

1.5 Change of the Company's status to a public company

On 23 June 2006, an Extraordinary General Meeting of the Company's shareholders passed a resolution approving the conversion of the Company to a public limited company. The Company registered the change of its status to a public company limited under the Public Limited Companies Act B.E. 2535 on 6 July 2006.

2. CASH AND DEPOSITS AT FINANCIAL INSTITUTIONS

The Company has pledged its deposits from bank accounts with outstanding balances as at 30 June 2006 of approximately Baht 315.9 million (31 December 2005: Baht 387.6 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.

3. CURRENT INVESTMENT

The balances of current investment as at 30 June 2006 and 31 December 2005 comprise:

(Unit: Thousand Baht)

	Consolidated	The Company Only	
	30 June 2006	30 June 2006	31 December 2005
Fixed deposits	500,000	475,000	-
Certificates of deposit	-	-	285,000
Total	500,000	475,000	285,000

Fixed deposits represent the three-month period to seven-month period fixed deposits, carrying interest between 4 and 5.125 percent per annum. Certificates of deposit, carrying interest at 2.50 percent per annum and have maturities of 6 months, matured during the second quarter of the current year.

As at 30 June 2006, the Company pledges fixed deposits total Baht 475 million to secure long-term loans of the Company (31 December 2005 : certificates of deposit amounting to Baht 285 million).

4. RESTRICTED BANK DEPOSIT

As at 30 June 2006, a fixed deposit with a local commercial bank of the subsidiary company amounting to Baht 5 million was pledged as secure under the Operation and Maintenance Agreement, and the Company has pledged this deposit with a group of lenders to secure long-term loans of the Company.

5. INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD - SUBSIDIARY

(Unit: Thousand Baht)

Company's name	The Company Only				
	As at 30 June 2006				
	Paid-up Capital	Percentage owned by the Company	Investment		
	Percent	Cost	Equity	Dividend	
WaterFlow Company Limited	10,000	99.99	700,000	690,421	-
			700,000	690,421	-

WaterFlow Company Limited

On 27 February 2006, the Company invested in 100,000 ordinary shares of WaterFlow Company Limited, or equivalent to 99.99 percent of share capital of that company, at value of Baht 7,000 each, totaling of Baht 700 million.

(UNAUDITED BUT REVIEWED)

Valuation of acquired assets and liabilities as at the acquisition date of investment 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	99,637
Add : Goodwill on consolidation	600,363
Cash payments for acquisition of investment in subsidiary	700,000
Less : Cash and cash equivalents of subsidiary	(39,461)
Net cash payments for acquisition of investment in subsidiary	660,539

6. PROPERTY, PLANT AND EQUIPMENT

Movements of the property, plant and equipment account during the six-month period ended 30 June 2006 are summarised below.

	(Unit: Thousand Baht)	
	<u>Consolidated</u>	<u>The Company Only</u>
Net book value as at 1 January 2006	9,536,450	9,536,450
Acquisitions during period - at cost	1,267	1,161
Net book value of a subsidiary as at acquisition date	68,014	-
Depreciation for period	(124,908)	(123,527)
Net book value as at 30 June 2006	9,480,823	9,414,084

The Company has mortgaged land and assets for production of treated water with a total net book value as at 30 June 2006 of Baht 9,414 million with a group of lenders to secure the loan facilities obtained from the group of lenders.

(UNAUDITED BUT REVIEWED)

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

(Unit: Million Baht)

	Consolidated	The Company Only	
	30 June 2006	30 June 2006	31 December 2005
Long-term loans	6,790	6,790	6,860
Less: Current portion	(420)	(420)	(140)
Long-term loans - net of current portion	<u>6,370</u>	<u>6,370</u>	<u>6,720</u>

Movements in the long-term loans account during the six-month period ended 30 June 2006 are summarised below.

(Unit: Million Baht)

	Consolidated	The Company Only
Balance as at 1 January 2006	6,860	6,860
Less: Repayment	(70)	(70)
Balance as at 30 June 2006	<u>6,790</u>	<u>6,790</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.

(UNAUDITED BUT REVIEWED)

<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 the Company's share certificates, its rights under the sales of treated water contract, its rights to receive deposits from bank accounts, its rights to receive benefit from insurance policies.

8. RELATED PARTY TRANSACTIONS

During the periods, the Company had significant business transactions with its related parties (related by way of shareholding or common shareholders and/or common directors) and directors. Such transactions, which have been concluded on the terms and basis as determined by the Company and those related parties, are under the normal course of business of the Company. The transactions are summarised bellows.

(Unit: Million Baht)

	For the three-month periods ended 30 June			Pricing policy
	Consolidated	The Company Only		
	<u>2006</u>	<u>2006</u>	<u>2005</u>	
Cost of production of treated water	-	5.2	65.5	Based on contract
Management fees	-	-	0.7	Agreed between parties
Directors' remuneration	0.4	0.4	0.1	Resolution of shareholders' meeting

(UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

	For the six-month periods ended 30 June			Pricing policy
	Consolidated	The Company Only		
	<u>2006</u>	<u>2006</u>	<u>2005</u>	
Cost of production of treated water	-	76.0	130.3	Based on contract
Management fees	-	-	1.8	Agreed between parties
Directors' remuneration	2.7	2.7	0.3	Resolution of shareholders' meeting

The outstanding balances of the above transactions have been shown as separate items in the balance sheets as follows :

(Unit: Thousand Baht)

	Consolidated	The Company Only	
	30 June	30 June	31 December
	<u>2006</u>	<u>2006</u>	<u>2005</u>
<u>Other receivable - subsidiary</u>			
- WaterFlow Company Limited	-	-	10,286
	-	-	10,286
<u>Trade accounts payable - related parties</u>			
<u>Subsidiary</u>			
- WaterFlow Company Limited	-	1,897	21,861
	-	1,897	21,861
<u>Related party</u>			
- CH. Karnchang Public Company Limited	-	-	63,749
	-	-	63,749
	-	1,897	85,610
<u>Retention payable - related party</u>			
- CH. Karnchang Public Company Limited	-	-	6,600
	-	-	6,600

9. 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 at par value of Baht 100 each to existing shareholders at an offer price of Baht 290 per share, totaling 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.

10. SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses in the earnings statements for the three-month and six-month periods ended 30 June 2006 included the penalty amounting to Baht 22.8 million for the delay in payment of rental fee for land used for the installation of water distribution pipes.

11. CORPORATE INCOME TAX

No corporate income tax is payable on net earnings on non-promoted operations for the three-month and six-month periods ended 30 June 2006 since tax loss brought forward from previous years exceeds net earnings for the periods.

Corporate income tax of the subsidiary, as included in the consolidated financial statements for the six-month period ended 30 June 2006, have been calculated at a rate of 30 percent of net earnings after adding back certain expenses which are disallowable for tax computation purposes.

12. DIVIDEND PAYMENT

On 23 January 2006, the Board of Directors' Meeting No.1/2006 passed a resolution approving the payment of an interim dividend 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. The Company paid such interim dividend on 19 May 2006.

On 18 August 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 from 1 January 2006 to 30 June 2006 of Baht 0.05 per share, to the shareholders listed in the share register as at 22 August 2006, or a total of Baht 162.5 million. The Company is to pay this interim dividend on 15 September 2006.

13. PROMOTIONAL PRIVILEGES

The Company was granted the promotional privileges under Thai Investment Promotion Act B.E. 2520 approved by the Board of Investment under certificates No. 1382(2)/2545, dated 19 June 2002, for production of treated water. Subject to certain imposed conditions, the main privileges include the following:

- Exemption of import duty on imported machinery according to specified condition.
- Exemption from corporate income tax on earnings from promotional privileges operation for a period of eight years from the date on which operating income is first derived.

14. BANK GUARANTEES

As at 30 June 2006, there were outstanding bank guarantees of Baht 61.0 million (31 December 2005: Baht 61.0 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business of the Company.

15. COMMITMENTS

As at 30 June 2006, the Company has outstanding commitments totaling Baht 5.5 million in relation to the construction of assets for production of treated water.

16. DISCOUNT ON SALES OF TREATED WATER/DISCOUNT FROM PURCHASE OF TREATED WATER

16.1) The Water Purchase and Sale Agreement between the Company and the Provincial Waterworks Authority stipulates that the Company has to grant a 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 until the Company has paid all indebtedness due to the lender under the long-term loans agreement, and discharged all obligations thereunder. Thereafter, the Company is to pay the accrued compensation to the Provincial Waterworks Authority by means of a deduction from the treated water charges the Provincial Waterworks Authority has to pay the Company. However, the Company's management believes that the probability that contingent liabilities to be paid to the Provincial Waterworks Authority in the future is rarely to be occurred. The Company does not record such compensation as a discount payment on sales of treated water in the account.

16.2) The Operation and Maintenance Agreement between the Company and a subsidiary stipulates that the subsidiary is to grant a compensation to the Company for the cost saving as a result of the subsidiary 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, the compensation is to be accumulated until the Company has paid all indebtedness due to the lender under the long-term loans agreement, and discharged all obligations thereunder. Thereafter, the subsidiary is to pay the accrued compensation to the Company by means of a deduction from the treated water charges the Company has to pay the subsidiary. However, the Company's management believes that the probability that the subsidiary will has to pay this compensation to the Company in the future is rarely to be occurred. The Company does not record such compensation as a discount received from purchase of treated water in the account.

17. 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 current period, 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.

18. FINANCIAL INFORMATION BY SEGMENT

The Company's and its subsidiary's operations involve principally 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 as reflected in these financial statements pertain to the aforementioned industry segment and geographic area.

19. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were authorised for issue by the Board of Directors on 18 August 2006.