

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
REPORT AND INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2007 AND 2006

Review Report of Independent Auditor

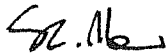
To the Shareholders of Thai Tap Water Supply Public Company Limited

I have reviewed the accompanying consolidated balance sheet of Thai Tap Water Supply Public Company Limited and its subsidiaries as at 30 June 2007, the related consolidated statements of income for the three-month and six-month periods ended 30 June 2007 and 2006, and the consolidated statements of changes in shareholders' equity, and cash flows for the six-month periods ended 30 June 2007 and 2006, and the separate financial statements of Thai Tap Water Supply Public Company Limited for the same periods. These financial statements are the responsibility of the Company's and its subsidiaries' 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 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 the Company's and its subsidiaries' 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 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 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. I have not performed any other audit procedures subsequent to the date of that report, except for the Company's restatement of the separate financial statements for the period of 2006 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.


Supachai Phanyawattano

Certified Public Accountant (Thailand) No. 3930

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

(Unit : Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		30 June 2007	31 December 2006	30 June 2007	31 December 2006
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited) (Restated)
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	4	439,860	356,130	292,205	352,959
Current investments	5	790,499	695,000	719,000	670,000
Trade accounts receivable	6	303,956	217,596	188,238	217,596
Other receivable - subsidiary	3	-	-	5,231	4,572
Raw materials and supplies		14,577	6,685	4,407	5,738
Other current assets					
Interest receivable		18,431	10,223	18,087	10,223
Prepaid expenses		49,985	18,004	36,437	17,887
Prepaid interest expenses		7,494	-	-	-
Others		12,995	3,023	1,636	1,732
TOTAL CURRENT ASSETS		1,637,797	1,306,661	1,265,241	1,280,707
NON-CURRENT ASSETS					
Restricted bank deposits	7	203,968	-	-	-
Investments in subsidiaries	2, 8	-	-	4,337,416	700,000
Property, plant and equipment, net	9	9,327,976	9,355,964	9,253,299	9,293,249
Assets for production of treated water, net	10	4,022,418	-	-	-
Other non-current assets					
Goodwill on consolidation	8	2,965,152	-	-	-
Withholding tax deducted at source		7,677	4,272	4,416	4,272
Others		425	15,048	51	15,036
TOTAL NON-CURRENT ASSETS		16,527,616	9,375,284	13,595,182	10,012,557
TOTAL ASSETS		18,165,413	10,681,945	14,860,423	11,293,264

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

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

(Unit : Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		30 June 2007 (Unaudited but reviewed)	31 December 2006 (Audited)	30 June 2007 (Unaudited but reviewed)	31 December 2006 (Audited) (Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank overdrafts and short-term loans					
from financial institutions	11	3,020,945	-	3,000,000	-
Trade accounts payable					
Related parties	3	-	260	2,073	4,551
Unrelated parties		36,628	31,503	17,376	31,056
Amounts due to related parties	3	632,387	-	-	-
Retention payable		2,928	2,150	2,292	2,150
Current portion of long-term loans					
from financial institutions	12	1,131,900	700,000	851,900	700,000
Other current liabilities					
Accrued expenses		42,575	18,428	18,872	18,180
Unbilled output tax		19,912	9,940	11,307	9,698
Value added tax payable		12,254	8,145	9,897	8,145
Others		1,622	1,659	686	1,199
TOTAL CURRENT LIABILITIES		4,901,151	772,085	3,914,403	774,979
NON-CURRENT LIABILITIES					
Retention - subsidiary	3	-	-	5,000	5,000
Long-term loans from financial institutions, net of current portion	12	9,002,204	6,020,000	6,155,516	6,020,000
TOTAL NON-CURRENT LIABILITIES		9,002,204	6,020,000	6,160,516	6,025,000
TOTAL LIABILITIES		13,903,355	6,792,085	10,074,919	6,799,979

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

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

(Unit : Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		30 June 2007	31 December 2006	30 June 2007	31 December 2006
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited) (Restated)
SHAREHOLDERS' EQUITY					
Share capital	13				
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	14	399,000	51,602	399,000	51,602
Unappropriated		656,603	713,621	661,504	716,683
Difference on reorganization of business					
of group companies	8	(600,363)	(600,363)	-	-
Minority interest - equity attributable to minority shareholders of subsidiary		81,818	-	-	-
TOTAL SHAREHOLDERS' EQUITY		4,262,058	3,889,860	4,785,504	4,493,285
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		18,165,413	10,681,945	14,860,423	11,293,264

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

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 DIRECTORS

(UNAUDITED BUT REVIEWED)

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENTS

FOR THE THREE-MONTH PERIODS ENDED 30 JUNE 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)
REVENUES					
Sales of treated water	15	500,646	395,924	500,646	395,924
Interest income		8,743	5,434	8,498	5,325
Other income	3	-	-	617	-
TOTAL REVENUES		<u>509,389</u>	<u>401,358</u>	<u>509,761</u>	<u>401,249</u>
EXPENSES					
Cost of sales of treated water		130,255	119,469	130,992	114,270
Selling and administrative expenses	16	<u>43,782</u>	<u>38,466</u>	<u>42,858</u>	<u>42,353</u>
TOTAL EXPENSES		<u>174,037</u>	<u>157,935</u>	<u>173,850</u>	<u>156,623</u>
INCOME BEFORE INTEREST EXPENSES		335,352	243,423	335,911	244,626
INTEREST EXPENSES		<u>(105,432)</u>	<u>(111,061)</u>	<u>(105,432)</u>	<u>(111,061)</u>
NET INCOME FOR THE PERIOD	17	<u>229,920</u>	<u>132,362</u>	<u>230,479</u>	<u>133,565</u>
BASIC EARNINGS PER SHARE					
Net income (Baht)	18	<u>0.07</u>	<u>0.04</u>	<u>0.07</u>	<u>0.04</u>
Weighted average number of ordinary shares (shares)		<u>3,250,000,000</u>	<u>3,250,000,000</u>	<u>3,250,000,000</u>	<u>3,250,000,000</u>

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

(UNAUDITED BUT REVIEWED)

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENTS

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 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)
REVENUES					
Sales of treated water	15	972,865	779,873	972,865	779,873
Interest income		16,495	7,785	16,046	7,676
Other income	3	-	-	617	-
TOTAL REVENUES		<u>989,360</u>	<u>787,658</u>	<u>989,528</u>	<u>787,549</u>
EXPENSES					
Cost of sales of treated water		257,651	251,785	257,770	251,530
Selling and administrative expenses	16	63,492	61,244	61,702	62,515
TOTAL EXPENSES		<u>321,143</u>	<u>313,029</u>	<u>319,472</u>	<u>314,045</u>
INCOME BEFORE INTEREST EXPENSES AND INCOME TAX		668,217	474,629	670,056	473,504
INTEREST EXPENSES		(215,337)	(208,783)	(215,337)	(208,783)
CORPORATE INCOME TAX	17	-	(698)	-	-
NET INCOME FOR THE PERIOD		<u>452,880</u>	<u>265,148</u>	<u>454,719</u>	<u>264,721</u>
BASIC EARNINGS PER SHARE					
Net income (Baht)	18	<u>0.14</u>	<u>0.08</u>	<u>0.14</u>	<u>0.08</u>
Weighted average number of ordinary shares (shares)		<u>3,250,000,000</u>	<u>3,172,326,400</u>	<u>3,250,000,000</u>	<u>3,172,326,400</u>

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

(UNAUDITED BUT REVIEWED)

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2007 AND 2006

(Unit : Thousand Baht)

	Consolidated financial statements					
	Issued and paid-up share capital	Share premium	Retained earnings Appropriated - statutory reserve	Unappropriated (Restated)	Difference on reorganization of business of group company (Restated)	Minority interest - equity attributable to minority shareholders of subsidiary Total (Restated)
Balance as at 1 January 2006	3,000,000	-	17,882	329,935	-	3,347,817
Issuance of additional ordinary shares (Note 13)	250,000	475,000	-	-	-	725,000
Net income for the period - restated	-	-	-	265,148	-	265,148
Difference on reorganisation of business of group companies (Note 8)	-	-	-	-	(600,363)	(600,363)
Dividend payment (Note 20)	-	-	-	(94,500)	-	(94,500)
Balance as at 30 June 2006 - as restated	3,250,000	475,000	17,882	500,583	(600,363)	3,643,102
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	-	-	-	452,880	-	452,880
Appropriated to statutory reserve (Note 14)	-	-	347,398	(347,398)	-	-
Dividend payment (Note 20)	-	-	-	(162,500)	-	(162,500)
Minority interest in subsidiary	-	-	-	-	-	81,818
Balance as at 30 June 2007	3,250,000	475,000	399,000	656,603	(600,363)	4,262,058

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

(UNAUDITED BUT REVIEWED)

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2007 AND 2006

(Unit : Thousand Baht)

	Separate financial statements					Difference on reorganization of business of group companies (Restated)	Total (Restated)
	Issued and paid-up share capital	Share premium	Retained earnings		Unappropriated (Restated)		
			Appropriated - statutory reserve				
Balance as at 1 January 2006	3,000,000	-	17,882	329,935	-	3,347,817	
Issuance of additional ordinary shares (Note 13)	250,000	475,000	-	-	-	725,000	
Net income for the period - restated (Note 2)	-	-	-	264,721	-	264,721	
Dividend payment (Note 20)	-	-	-	(94,500)	-	(94,500)	
Balance as at 30 June 2006	<u>3,250,000</u>	<u>475,000</u>	<u>17,882</u>	<u>500,156</u>	<u>-</u>	<u>4,243,038</u>	
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	<u>3,250,000</u>	<u>475,000</u>	<u>51,602</u>	<u>716,683</u>	<u>-</u>	<u>4,493,285</u>	
Net income for the period	-	-	-	454,719	-	454,719	
Appropriated to statutory reserve (Note 14)	-	-	347,398	(347,398)	-	-	
Dividend payment (Note 20)	-	-	-	(162,500)	-	(162,500)	
Balance as at 30 June 2007	<u>3,250,000</u>	<u>475,000</u>	<u>399,000</u>	<u>661,504</u>	<u>-</u>	<u>4,785,504</u>	

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

(UNAUDITED BUT REVIEWED)

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CASH FLOW STATEMENTS

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2007 AND 2006

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006 (Restated)	2007	2006 (Restated)
Cash flows from operating activities				
Net income for the period	452,880	265,148	454,719	264,721
Adjustments to reconcile net income to net cash provided by (paid from) operating activities:				
Depreciation	135,669	124,908	134,223	123,527
Income from operating activities before changes in operating assets and liabilities	588,549	390,056	588,942	388,248
Decrease (increase) in operating assets				
Trade accounts receivable	29,357	(15,470)	29,357	(15,470)
Other receivable	-	34,090	(659)	10,286
Raw materials and supplies	1,455	(3,273)	(1,330)	(5,217)
Other current assets	(25,962)	(18,659)	(23,657)	(18,710)
Other non-current assets	(1,244)	(258)	(159)	(258)
Increase (decrease) in operating liabilities				
Trade accounts payable - related parties	(260)	(97,084)	(2,478)	(83,713)
Trade accounts payable - unrelated parties	(13,748)	(4,034)	(13,680)	3,944
Other current liabilities	3,327	(19,367)	3,541	(13,555)
Net cash from operating activities	581,474	266,001	579,877	265,555

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

(UNAUDITED BUT REVIEWED)

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CASH FLOW STATEMENTS (Continued)

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2007 AND 2006

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006 (Restated)	2007	2006 (Restated)
Cash flows from investing activities				
Increase in current investment	(45,000)	(215,000)	(49,000)	(190,000)
Increase in restricted bank deposit	-	(5,000)	-	-
Net cash payments for acquisition of investment in subsidiaries (Note 8)	(3,498,488)	(660,539)	(3,637,416)	(700,000)
Increase in property, plant and equipment	(79,314)	(1,267)	(79,273)	(1,161)
Increase (decrease) in retention payable	142	(6,554)	142	(6,554)
Net cash used in investing activities	<u>(3,622,660)</u>	<u>(888,360)</u>	<u>(3,765,547)</u>	<u>(897,715)</u>
Cash flows from financing activities				
Cash received from issuance of additional ordinary shares	-	725,000	-	725,000
Increase in short-term loans from financial institutions	3,000,000	-	3,000,000	-
Increase (decrease) in long-term loans from financial institutions	287,416	(70,000)	287,416	(70,000)
Dividend payment	(162,500)	(94,500)	(162,500)	(94,500)
Net cash from financing activities	<u>3,124,916</u>	<u>560,500</u>	<u>3,124,916</u>	<u>560,500</u>
Net increase (decrease) in cash and cash equivalents	83,730	(61,859)	(60,754)	(71,660)
Cash and cash equivalents at beginning of period	356,130	387,595	352,959	387,595
Cash and cash equivalents at end of period	<u>439,860</u>	<u>325,736</u>	<u>292,205</u>	<u>315,935</u>
Supplemental cash flows information				
Cash paid during the period for				
Interest expenses	215,488	209,665	215,488	209,665
Corporate income tax and withholding tax deducted at source	470	7,089	82	55
Non-cash transactions				
Transfer deposits for purchase of land to land	15,000	-	15,000	-

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

(UNAUDITED BUT REVIEWED)

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2007 AND 2006

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.

(UNAUDITED BUT REVIEWED)

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. During the current period, effective from 29 June 2007, the Company acquired ordinary shares of Pathum Thani Water Company Limited and holds an 89.15 percent interest. Pathum Thani Water Company Limited is principally engaged in the production and sale of treated water under a concession granted by the Provincial Waterworks Authority for a period of 25 years, commencing 15 October 1998, and has a subsidiary, BJT Water Company Limited, which is principally engaged in the operation and maintenance of water supply projects. As a result, the Company has included the financial statements of Pathum Thani Water Company Limited and its subsidiary in the consolidated financial statements since 30 June 2007. However, it has excluded the results of operations of this subsidiary from the effective date of acquisition from the consolidated financial statements for the three-month and six-month periods ended 30 June 2007 because the figures were immaterial.

Assets of Pathum Thani Water Company Limited and its subsidiary as included in the consolidated financial statements as at 30 June 2007 comprise 25.3 percent of the total.

1.4 Adoption of new accounting standards during the period

The Federation of Accounting Professions (FAP) has issued Notification No. 9/2550 regarding Thai Accounting Standards (TAS), which was announced in the Royal Gazette. This Notification mandates the use of the following Thai Accounting Standards (Revised 2007) in place of the previous versions, which are cancelled.

TAS 25	Cash Flow Statements
TAS 33	Borrowing Costs
TAS 44	Consolidated Financial Statements and Separate Financial Statements
TAS 45	Investments in Associates
TAS 46	Interests in Joint Ventures
TAS 49	Construction Contracts

(UNAUDITED BUT REVIEWED)

a) Thai Accounting Standards effective for the current year

Thai Accounting Standards No. 44, 45 and 46 become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the first quarter of the current year, the Company changed its accounting policy for recording investments in subsidiary in the separate financial statements in order to comply with the revised Thai Accounting Standard No. 44, as discussed in Note 2.

b) Thai Accounting Standards not effective for the current year

Thai Accounting Standards No. 25, 33 and 49 will become effective for the financial statements for fiscal years beginning on or after 1 January 2008. However, the management has assessed the effect of these revised accounting standards and believes that they will not significantly impact on the financial statements for the year in which they are initially applied.

1.5 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.

The additional accounting policy has been used during the current period as follow:

a) Goodwill on consolidation

Goodwill on consolidation, which arose as a result of the acquisition of ordinary shares in Pathum Thani Water Company Limited being made at a cost higher than the attributable net book value of this subsidiary, is regarded as an asset and amortised on a straight-line basis over the remaining period of the concession (approximately 16 years).

(UNAUDITED BUT REVIEWED)

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

During the first quarter of the current year, 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 Accounting Standard No. 44 (Revised 2007) regarding “Consolidated Financial Statements and Separate Financial Statements”, under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost 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 change has the effect of increasing net income in the separate income statements for the three-month and six-month periods ended 30 June 2007 by Baht 0.6 million and Baht 1.8 million, respectively (2006: increasing by Baht 1.2 million and decreasing by Baht 0.4 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 subsidiaries 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 parties. Below is a summary of those transactions.

(Unit : Million Baht)

	For the three-month periods ended 30 June				Transfer Pricing Policy
	Consolidated financial statements		Separate financial statements		
	2007	2006	2007	2006	
Cost of production of treated water	-	-	5.8	5.2	Based on contract
Other income	-	-	0.6	-	Based on contract

(UNAUDITED BUT REVIEWED)

(Unit : Million Baht)

	For the six-month periods ended 30 June				Transfer Pricing Policy
	Consolidated financial statements		Separate financial statements		
	2007	2006	2007	2006	
	Cost of production of treated water	-	-	10.5	
Other income	-	-	0.6	-	Based on contract

The balances of the accounts as at 30 June 2007 and 31 December 2006 between the Company and those related parties are as follows:

	(Unit : Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2007	2006	2007	2006
<u>Other receivable - subsidiary</u>				
- WaterFlow Company Limited	-	-	5,231	4,572
	-	-	5,231	4,572
<u>Trade accounts payable - related parties</u>				
<u>Subsidiary</u>				
- WaterFlow Company Limited	-	-	2,073	4,551
	-	-	2,073	4,551
<u>Related party</u>				
- CH. Karnchang Public Company Limited	-	260	-	-
	-	260	-	-
	-	260	2,073	4,551
<u>Amounts due to related parties</u>				
- CH. Karnchang Public Company Limited	409,892	-	-	-
- Pathum Thani Operations Company Limited	222,495	-	-	-
	632,387	-	-	-
<u>Retention - subsidiary</u>				
- WaterFlow Company Limited	-	-	5,000	5,000
	-	-	5,000	5,000

(UNAUDITED BUT REVIEWED)

Directors and management's remuneration

The Company paid salaries and bonus to its directors and management for the three-month and six-month periods ended 30 June 2007 totaling Baht 6.5 million and Baht 7.5 million, respectively (2006 : Baht 0.4 million and Baht 2.7 million, respectively).

4. CASH AND CASH EQUIVALENTS

The Company and a subsidiary have pledged their rights to receive deposits from bank accounts with outstanding balance as at 30 June 2007 and 31 December 2006 of approximately Baht 365.3 million and Baht 353 million (the Company only : Baht 292.2 million and Baht 353 million, respectively) with groups of lenders to secure long-term loans of the Company and the subsidiary. The Company and the subsidiary are 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 2.50 and 5.25 percent per annum. The Company has pledged these fixed deposits with outstanding balance as at 30 June 2007 totaling Baht 719 million to secure long-term loans of the Company (31 December 2006 : Baht 670 million).

6. TRADE ACCOUNTS RECEIVABLE

As at 30 June 2007 and 31 December 2006, the outstanding balance of trade accounts receivable was over due less than 3 months.

7. RESTRICTED BANK DEPOSITS

The outstanding balance as at 30 June 2007 comprised a fixed deposit with a local commercial bank of Baht 194.1 million for the purpose of reserving for principal and interest repayment as stipulated in the long-term loan agreement of a subsidiary as well as fixed deposits with local commercial banks of Baht 9.9 million secured for bank guarantees of that subsidiary which were issued by the banks.

(UNAUDITED BUT REVIEWED)

8. INVESTMENTS IN SUBSIDIARIES

(Unit : Thousand Baht)

Company's name	Separate financial statements					
	Paid-up capital		Shareholding percentage		Investments at cost	
	30 June	31 December	30 June	31 December	30 June	31 December
	2007	2006	2007	2006	2007	2006
	Million Baht	Million Baht	Percent	Percent		(Restated)
WaterFlow Company Limited	10	10	100	100	700,000	700,000
Pathum Thani Water Company Limited and its subsidiary	1,200	1,102	89.15	-	3,637,416	-
					<u>4,337,416</u>	<u>700,000</u>

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.

(UNAUDITED BUT REVIEWED)

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 accounts 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	<u>600,363</u>
Cash payments for acquisition of investments in subsidiary	700,000
Less : Cash and cash equivalents of subsidiary	(39,461)
Net cash payments for acquisition of investments in subsidiary	<u><u>660,539</u></u>

Pathum Thani Water Company Limited

On 25 June 2007, an Extraordinary General Meeting of the Company's shareholders passed a resolution approving the purchase of ordinary shares in Pathum Thani Water Company Limited from its shareholders, comprised of the Company's major shareholder and other shareholders, at a price of Baht 340 per share (the share price is close to the value appraised by an independent financial advisor), with the acquisition to comprise an aggregate number of shares not higher than 98 percent of the paid-up capital of Pathum Thani Water Company Limited.

Subsequently, on 25 and 27 June 2007, the Company entered into share sale and purchase agreements for the shares of Pathum Thani Water Company Limited with existing shareholders, whereby it purchased 10,698,283 ordinary shares of Pathum Thani Water Company Limited, or equivalent to 89.15 percent of the paid-up capital of that company, at a price of Baht 340 per share, for a total of Baht 3,637.4 million. The Company paid for these ordinary shares on 29 June 2007.

(UNAUDITED BUT REVIEWED)

Valuation of acquired assets and liabilities as at the acquisition date of investments in Pathum Thani Water Company Limited and its subsidiary (BJT Water Company Limited) can be summarised below.

(Unit : Thousand Baht)

Cash and cash equivalents	138,928
Current investment	50,499
Trade accounts receivable	115,718
Other current assets	41,040
Restricted bank deposits	203,968
Equipment	13,367
Assets for production of treated water	4,022,418
Other non-current assets	2,538
Bank overdrafts	(20,945)
Trade accounts payable	(18,874)
Amounts due to related parties	(632,387)
Other current liabilities	(35,500)
Long-term loans	(3,126,688)
Total net assets	<u>754,082</u>
Less : Minority interest - equity attributable to minority shareholders of subsidiary	(81,818)
Add : Goodwill on consolidation	<u>2,965,152</u>
Cash payments for acquisition of investments in subsidiaries	3,637,416
Less : Cash and cash equivalents of subsidiaries	<u>(138,928)</u>
Net cash payments for acquisition of investments in subsidiaries	<u><u>3,498,488</u></u>

The Company has pledged some of shares in Pathum Thani Water Company Limited with the group of lenders to secure short-term loans and parts of the long-term loans obtained from these lenders by the Company and the subsidiary.

(UNAUDITED BUT REVIEWED)

9. PROPERTY, PLANT AND EQUIPMENT

Movements of the property, plant and equipment account during the six-month period ended 30 June 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	79,314	79,273
Transfer in	15,000	15,000
Net book value of equipment of subsidiaries as at acquisition date	13,367	-
Depreciation for period	(135,669)	(134,223)
Net book value as at 30 June 2007	<u>9,327,976</u>	<u>9,253,299</u>

The Company has mortgaged land and assets for production of treated water with a total net book value as at 30 June 2007 of Baht 9,232 million with a group of lenders to secure short-term loans and long-term loan facilities obtained from the group of lenders.

10. ASSETS FOR PRODUCTION OF TREATED WATER

Assets for production of treated water of Pathum Thani Water Company Limited will be transferred to Provincial Waterworks Authority after the end of the 25-year concession to produce and sell treated water.

Pathum Thani Water Company Limited has mortgaged its land, water treatment plant and local distribution treated water system with a group of lenders to secure the loan facilities and bank overdrafts obtained from the group of lenders.

11. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

	(Unit : Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006
Short-term loans from banks	3,000,000	-	3,000,000	-
Bank overdrafts	20,945	-	-	-
	<u>3,020,945</u>	<u>-</u>	<u>3,000,000</u>	<u>-</u>

(UNAUDITED BUT REVIEWED)

On 27 June 2007, the Company entered into a loan agreement with two commercial banks granting new loans amounting to Baht 3,000 million in order to purchase ordinary shares in Pathum Thani Water Company Limited, up to a total of 98 percent of the paid-up capital of that company (as discussed in Note 8). These loans carry interest at the Minimum Loan Rate (MLR) per annum and are repayable in full at the earlier of one year from the drawdown date or on the date of the initial public offering of the Company's shares on the Stock Exchange of Thailand.

In addition, two major shareholders entered into an Undertaking Agreement with a group of lenders in order to obtain cash support to make settlement of these short-term loans in the event that the Company can not be listed on the Stock Exchange of Thailand within one year from the drawdown date or the proceeds derived from the initial public offering of the Company's shares on the Stock Exchange of Thailand are not sufficient to make payment of the loans.

The short-term loans are secured by the mortgage of the Company's land and construction thereon, the pledge of the share certificates in Pathum Thani Water Company Limited, 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.

Bank overdrafts of a subsidiary are secured by the mortgage of the subsidiary's land and construction thereon, the pledge of the subsidiary's fixed deposits and share certificates, the assignment of the subsidiary's rights under its concession and a construction contract, its rights to treat and distribute water, its rights to receipt of income from the Provincial Waterworks Authority, its rights to receive deposits from bank accounts, and its beneficiary rights under insurance policies.

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

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006
Thai Tap Water Supply Public Company Limited	7,007,416	6,720,000	7,007,416	6,720,000
Pathum Thani Water Company Limited	3,126,688	-	-	-
	10,134,104	6,720,000	7,007,416	6,720,000
Less : Current portion	(1,131,900)	(700,000)	(851,900)	(700,000)
Long-term loans, net of current portion	<u>9,002,204</u>	<u>6,020,000</u>	<u>6,155,516</u>	<u>6,020,000</u>

(UNAUDITED BUT REVIEWED)

Movements in the long-term loans account during the six-month period ended 30 June 2007 are summarised below.

	(Unit : Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2007	6,720,000	6,720,000
Add : Additional drawdown	637,416	637,416
Long-term loans of a subsidiary as at acquisition date	3,126,688	-
Less : Repayment	(350,000)	(350,000)
Balance as at 30 June 2007	10,134,104	7,007,416

The Company

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

(UNAUDITED BUT REVIEWED)

On 27 June 2007, the Company entered into a loan agreement with two commercial banks granting new loans amounting to Baht 1,000 million in order to purchase the ordinary shares in Pathum Thani Water Company Limited (as discussed in Note 8). These loans carry interest at the Minimum Loan Rate (MLR) per annum for a period of one year from the drawdown date and at MLR - 0.5% per annum for the remaining period. The loans are repayable in quarterly installments, with the first of these due in October 2008, and are to be repaid in full within July 2013.

The Company's 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 some of the shares in Pathum Thani Water Company Limited 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.

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

Pathum Thani Water Company Limited

Pathum Thani Water Company Limited has outstanding long-term loans from a group of lenders formed by two local banks of Baht 2,368 million and USD 38 million. Interest on these respective loans was charged at MLR + 0.5% per annum and LIBOR + 4.5% per annum, respectively, for the period before income was earned from operations, and was to be charged at MLR + 0.125 % per annum and LIBOR + 2.75% per annum, respectively, as from commencement of operations. These loans were to be repaid in semi-annual installments as from July 2001, with the final installment due not later than January 2010.

In November 2001 the banks approved Pathum Thani Water Company Limited's conversion of the US dollar portion of the loan to Baht, in accordance with the "Amendment Agreement (No. 1) to The Credit Agreement", applying an exchange rate of Baht 44.83 per USD 1.

On 23 June 2005, Pathum Thani Water Company Limited entered into the "Amendment Agreement (No. 2) to The Credit Agreement" with both lender banks in order to reschedule the loans. Under the new schedules repayment is to be made on semi-annual basis, commencing from June 2005 and with the final installment to be paid not later than December 2015.

Subsequently, on 12 October 2006, Pathum Thani Water Company Limited entered into the "Amendment Agreement to The Credit Agreement" with both lender banks, whereby the interest rate was reduced from MLR + 0.125 % per annum to MLR - 0.5% per annum as from 4 October 2006.

(UNAUDITED BUT REVIEWED)

On 21 June 2007, Pathum Thani Water Company Limited entered into a loan agreement with two commercial banks granting new loans amounting to Baht 783 million to use for its expansion of a treated water production project. These loans carry interest at the Minimum Loan Rate (MLR) per annum for the project construction period and MLR - 0.5% per annum for the operation period. The loans are repayable in 10 semi-annual installments, with the first of these due in June 2008, and are to be repaid in full within December 2012. Currently, Pathum Thani Water Company Limited has not yet drawn down these loans.

The loans of Pathum Thani Water Company Limited are secured by the mortgage of that company's land and construction thereon, the pledge of the company's fixed deposits and share certificates in BJT Water Company Limited, the assignment of the company's rights under its concession and a construction contract, its rights to treat and distribute water, its rights to receipt of income from the Provincial Waterworks Authority, its rights to receive deposits from bank accounts, and its beneficiary rights under insurance policies.

The loan agreements contain covenants that, among other things, require that company to maintain certain financial ratio.

13. 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:

(UNAUDITED BUT REVIEWED)

- 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 employees of WaterFlow Company Limited 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.

14. STATUTORY RESERVE

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

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 amounted to Baht 399 million.

15. SALES OF TREATED WATER

Sales of treated water as presented in the income statements for the three-month and six-month periods ended 30 June 2007 included revenues from the Provincial Waterworks Authority amounting to Baht 16 million and Baht 27 million, respectively, which were received because actual quantities of water purchased by the Provincial Waterworks Authority over stipulated periods of 6 months were lower than the minimum offtake quantity to which it has committed under the "Water Purchase Agreement".

16. SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses in the income statement 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.

17. 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 and six-month periods ended 30 June 2007 and 2006, since the Company had tax loss brought forward from previous years over its net income for the periods.

Interim corporate income tax of a subsidiary, as included in the consolidated financial statements for the three-month and six-month periods ended 30 June 2007 and 2006, were calculated on net income before income tax after adding back expenses which are disallowed for tax computation purposes.

18. 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 13.

(UNAUDITED BUT REVIEWED)

19. FINANCIAL INFORMATION BY SEGMENT

The Company's and the subsidiaries' 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.

20. DIVIDENDS

<u>Dividends</u>	<u>Approved by</u>	<u>Total Dividends</u> (Thousand Baht)	<u>Dividend per share</u> (Baht)
An interim dividend from the earnings of the promoted operations for the period from 1 July 2005 to 31 December 2005 to the shareholders listed in the share register book as at 31 December 2005.	Board of Directors' meeting on 23 January 2006 and Annual General Meeting of the Company's shareholders for the year 2006 on 24 March 2006.	94,500	3.15
Dividends from the earnings of the promoted operations for the period from 1 July 2006 to 31 December 2006 to the shareholders listed in the share register book as at 19 March 2007.	Annual General Meeting of the Company's shareholders for the year 2007 on 10 April 2007.	162,500	0.05

21. COMMITMENTS AND CONTINGENT LIABILITIES

21.1 Capital commitments

As at 30 June 2007, the Company and its subsidiary had capital commitments of Baht 298 million (the Company only : Baht 2 million) relating to construction work.

21.2 Service commitments and other commitments

- a) As at 30 June 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 1.5 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 WaterFlow Company Limited, 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.

(UNAUDITED BUT REVIEWED)

- c) The Company has a commitment to purchase 1,061,455 ordinary shares in Pathun Thani Water Company Limited at a price of Baht 340 per share, as per the resolution of the Extraordinary General Meeting of the Company's shareholders held on 25 June 2007.
- d) The Company has commitments of not more than Baht 162 million in respect of an undertaking to provide cash support to Pathun Thani Water Company Limited should that such company face a cash shortage, as stipulated in the Sponsor Support Agreement between the Company and a group of lenders of that subsidiary.

21.3 Bank guarantees

As at 30 June 2007, there were outstanding bank guarantees of approximately Baht 267 million (the Company only : Baht 66 million) issued by the banks on behalf of the Company and its subsidiary in respect of certain performance bonds as required in the normal course of business.

21.4 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.

During the second quarter of the year 2006, the Company paid the Department of Highways rental amounting to Baht 36.1 million for land use, which it recorded as part of the cost of sales of treated water, and penalties amounting to Baht 22.8 million, which it recorded as selling and administrative expenses. 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.

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

(UNAUDITED BUT REVIEWED)

22. 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.

23. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were authorised for issue by the Board of Directors on 10 August 2007.