

**Information Memorandum on Connected Transaction of  
Thai Tap Water Supply Public Company Limited**

The Board of Directors' Meeting of Thai Tap Water Supply Public Company Limited (the "Company") No. 5/2552 held on 29 May 2009 passed a resolution granting approval for the Company to purchase the rights to operate the tap water production and distribution, and provide wastewater treatment services to customers in Bang Pa-in Industrial Estate (the "Operating Rights") from Bang Pa-in Land Development Co., Ltd. ("BLDC"). Due to the fact that BLDC is a connected person of the Company, the execution of such transaction is considered a connected transaction in accordance with the Notification of the Board of Governors of the Stock Exchange of Thailand, Re: Disclosure of Information and Acts of Listed Companies Concerning Connected Transactions. In this regard, such transaction value represented 7.34% which is not subject to the requirements under the Notification of the Board of Governors of the Stock Exchange of Thailand, Re: Disclosure of Information and Acts of Listed Companies Concerning Acquisition or Disposition of Assets. The Company hereby informs the details of such transaction as follows:

**1. Transaction Date**

The Company will purchase the Operating Rights from BLDC after approval of the shareholders who have no interest in the execution of the transaction and subject to conclusion of details of the agreement on production, distribution and service rights to be entered into between the Company and BLDC. The transaction is expected to take place within September 2009.

**2. Names of the Parties and Relationship with the Listed Company**

Assignor: Bang Pa-in Land Development Co., Ltd.

Assignee: Thai Tap Water Supply Public Company Limited

Relationship between Assignor and Assignee: Major shareholder, director and connected person of the Assignor are major shareholder and director of the Assignee.

**3. Details of Connected Transaction**

The Company, as the largest privately owned tap water producer and distributor in Thailand, will purchase the following Operating Rights from BLDC for a period of 30 years:

- a) The right to, at the Assignee's expense, use, take care of, maintain and improve water production plant, tap water production system, ground water production system and tap water distribution system, including the right to operate the tap water production and distribution to and collect service charges from customers in Bang Pa-in Industrial Estate; and
- b) The right to, at the Assignee's expense, use, take care of, maintain and improve wastewater treatment plant, wastewater treatment system and wastewater release system, including the right to operate and provide the wastewater treatment services to and collect service charges from customers in Bang Pa-in Industrial Estate.

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**4. Total Value of the Transaction**

Total value of the : Baht 1,400,000,000 (One Thousand Four Hundred Million, exclusive of transaction value added tax)

(representing 16.25% of the net tangible asset value of the Company under the consolidated financial statements of the Company and its subsidiaries as at 31 March 2009)

Payment method : By cheque or promissory notes or money transfer via bank in three installments under the payment schedule as follows:

Installment	Amount (Million Baht)	Due Date
First	1,000	Contract signing date
Second	200	One year from the contract signing date
Third	200	Two years from the contract signing date
Total	1,400	

Source of fund : Loan from financial institution(s) and/or cash flow from operating activities of the Company

**5. Basis for Determination of Value of Consideration**

The Company calculates the value of consideration for the Operating Rights based on the discounted cash flow analysis, DCF.

**6. Details of Connected Persons and Scope of Interest**

The connected person with whom the Company will enter into the transaction is BLDC, in which the Company's major shareholder and director, namely, Mr. Plew Trivisvavet, is a director and major shareholder, holding directly 8.33% of shares and indirectly 8.65% of shares through Mahasiri Siam Co., Ltd. representing 5.52% (Mr. Plew Trivisvavet holds 22.1% of shares in Mahasiri Siam Co., Ltd., and Mahasiri Siam Co., Ltd. holds 25% of shares in BLDC), and through CK. Office Tower Co., Ltd. representing 3.13% (Mr. Plew Trivisvavet holds 12.5% of shares in CK. Office Tower Co., Ltd., and CK. Office Tower Co., Ltd. holds 25% of shares in BLDC).

Mr. Plew Trivisvavet is still a director and holds shares directly and indirectly in CH. Karnchang Public Company Limited and Bangkok Expressway Public Company Limited, which currently hold shares in the Company representing 35.31% and 9.24% of its paid-up registered capital, respectively. CH. Karnchang Public Company Limited is a major shareholder of Bangkok Expressway Public Company Limited, and holds 15.32% of its paid-up registered capital.

Names and information of connected persons as at 29 May 2009 which is the date of approval of this transaction are as follows:

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Names	Position in the Company	Position in BLDC	Position in CH. Karnchang Plc.	Position in BECL Plc.	Amount of shares in the Company
Mr. Plew Trivisvavet	Director	Director	Director, Chairman of the Executive Board and Chief Executive Officer	Director and Chairman of the Executive Board	2,997,000
Mr. Narong Sangsuriya	Director	-	Director	-	2,000,100
Mr. Prasert Marittanaporn	Director	-	Director	-	2,000,100
Dr. Sombat Kitjalaksana	Director	-	Director	-	3,000,100

In the Board of Directors' Meeting No. 5/2552 held on 29 May 2009, directors who have interest and are connected persons did not attend nor vote on consideration of each agenda item to approve execution of the connected transaction of the Company.

The independent financial advisor studied and prepared details of the connected transaction for passing a resolution with respect to the connected transaction in the Company's Extraordinary General Meeting of Shareholders to be held on 31 July 2009. The relationship can be summarized as follows:

BLDC's major shareholder and director, namely, Mr. Plew Trivisvavet, is a director and major shareholder of the Company. The details of relationship of the connected persons can be summarized as follows:

1. Mr. Plew Trivisvavet and his close relatives, holding office of director in the Company, hold directly and indirectly 594,848,628 shares in aggregate or representing 41.14% of the paid-up registered capital in CH. Karnchang Public Company Limited (information as at 6 May 2009), and are major shareholders directly and indirectly holding 2,200,000 shares or representing 91.67% of the paid-up registered capital in BLDC (information as at 29 April 2008).

2. CH. Karnchang Public Company Limited ("CK")

CK, as major shareholder in the Company, holds directly and indirectly 1,777,527,400 shares or representing 44.55% of the paid-up registered capital in the Company (divided into direct shareholding of 1,408,777,400 shares or representing 35.31% of the paid-up registered capital in the Company and indirect shareholding through Bangkok Expressway Public Company Limited ("BECL") of 368,750,000 shares or representing 9.24% of the paid-up registered capital in the Company) (information as at 16 June 2009).

CK, as major shareholder in the Company, is a major shareholder directly and indirectly holding 127,525,890 shares in BECL or representing 16.56% of the paid-up registered capital in BECL (divided into direct shareholding of 117,974,750 shares or representing 15.32% of the paid-up registered capital in BECL and indirect shareholding through CH. Karnchang-Tokyu Construction Co.,

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Ltd. of 9,551,140 shares or representing 1.24% of the paid-up registered capital in the Company) (information as at 16 April 2009).

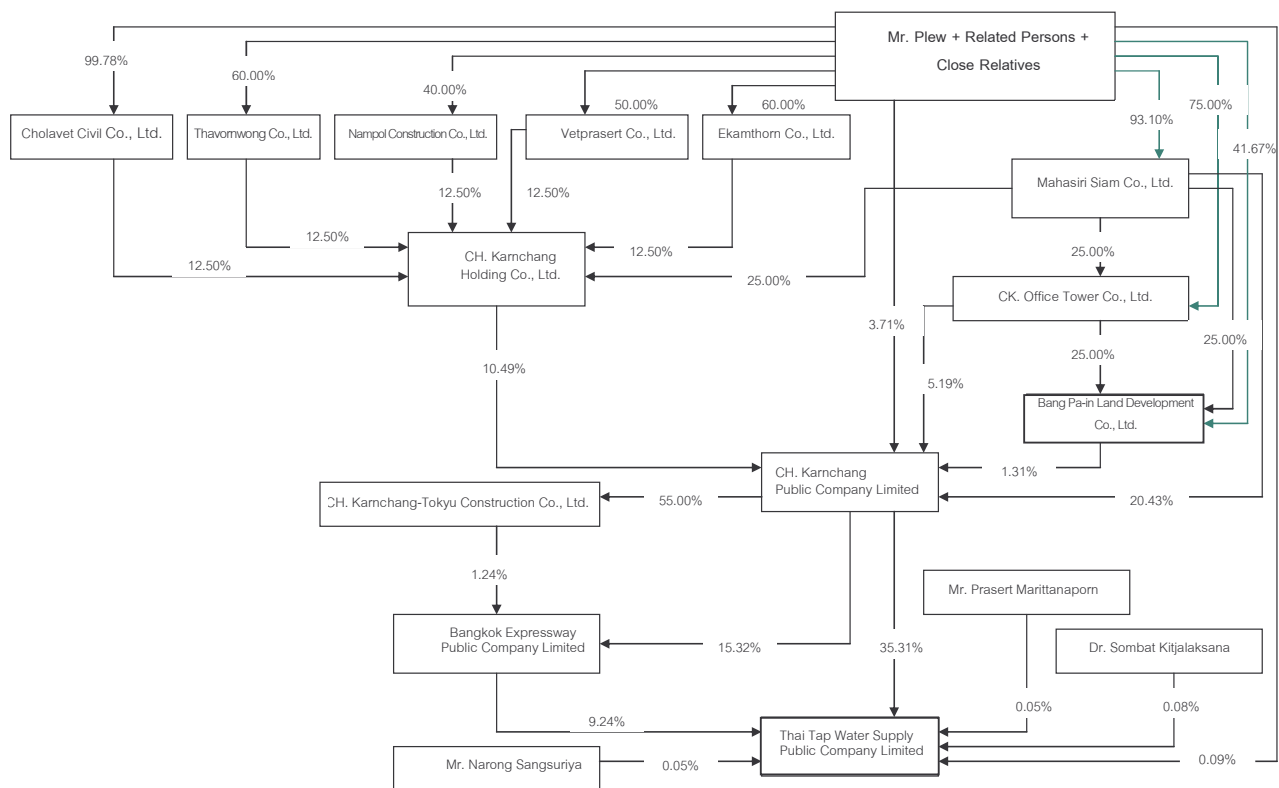
3. BECL, as shareholder in the Company, holds 368,750,000 shares or representing 9.24% of the paid-up registered capital in the Company (information as at 16 June 2009).
4. Names of Common Directors in CK, BECL and BLDC:

Names of Connected Persons	Position in the Company	Position in CK	Position in BECL	Position in BLDC
1. Mr. Plew Trivisvavet	Director	Chairman of the Executive Board and Chief Executive Officer	Chairman of the Executive Board	Director
2. Mr. Narong Sangsuriya	Director and Chairman of the Executive Board	Director and Senior Executive Vice President: Operation Group	-	-
3. Mr. Prasert Marittanaporn	Director, Member of the Risk Management Committee, Member of the Nomination and Remuneration Committee	Director and Senior Executive Vice President: Administration Group	-	-
4. Dr. Sombat Kitjalaksana	Director and Executive Director	Director and Executive Vice President: Business Development	-	-

Remark: \* Mr. Prasert Marittanaporn's spouse is the Managing Director in BECL.

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Details of Shareholding of the Connected Persons:



Names of shareholders who may have interest in the purchase of such rights (information as at the closing date of share register book of the Company as at 16 June 2009):

No.	Names	Amount of Shares	% of Paid-up Capital
1.	CH. Karnchang Public Company Limited	1,408,777,400	35.308%
2.	Bangkok Expressway Public Company Limited	368,750,000	9.242%
3.	Dr. Sombat Kitjalaksana	3,000,100	0.075%
4.	Mr. Plew Trivisvavet	2,997,000	0.075%
5.	Mr. Narong Sangsuriya	2,000,100	0.050%
6.	Mr. Prasert Marittanaporn	2,000,100	0.050%
7.	Mr. Prasert Trivisvavet*	700,000	0.018%
8.	Mr. Kamthorn Trivisvavet	20,000	0.001%
<b>Total</b>		<b>1,788,244,700</b>	<b>44.82%</b>

Remark : \* Such person is a close relative of Mr. Plew Trivisvavet and Mr. Kamthorn Trivisvavet.

**7. Conditions to be Fulfilled Prior to Execution of the Transaction**

The purchase of the Operating Rights from BLDC is regarded as a connected transaction in accordance with the Notification of the Board of Governors of the Stock Exchange of Thailand, Re: Disclosure of Information and Acts of Listed Companies Concerning Connected Transactions; relating to assets or services, in respect of which the total volume of the transaction exceeds 3% of the Company's net tangible asset value. Therefore, according to such transaction volume, the Company has the duty to prepare a report and disclose the execution of the connected transaction to the Stock Exchange, and to convene a shareholders' meeting for seeking approval for such connected transaction, provided that such resolution by the shareholders' meeting for approving the said transaction shall be at least three-fourths of the total votes of the shareholders attending the meeting and having the right to vote, excluding interested shareholders.

The Company will agree to purchase the Operating Rights from BLDC only when:

- 1) The shareholders' meeting grants approval for the Company to execute the transaction;
- 2) The Company and BLDC have agreed and concluded the details of the agreement on production, distribution and service rights, which is expected to be finalized by September 2009.

**8. Opinion of the Board of Directors regarding Execution of the Transaction**

Having considered the matter, the Board of Directors is of the view that the purchase of the Operating Rights from BLDC at the price of Baht 1,400 million is reasonable and beneficial to the Company, as compared to transactions with independent third parties. In this connection, the benefits which the Company would gain from execution of the transaction include an expansion of the tap water business outside the current service areas of the Company and an expansion of the wastewater treatment service business.

**9. Opinion of the Audit Committee and/or Directors which is different from the Board of Directors' Opinion**

-None-

**10. Summary Information of the Company and Business Operations**

The Company produces and distributes tap water to the Provincial Waterworks Authority ("PWA") in the areas of Amphoe Nakhon Chaisri, Amphoe Sam Phran and Amphoe Phutthamonthon in Nakhon Pathom Province and in Amphoe Mueang Samut Sakhon and Amphoe Krathum Baen in Samut Sakhon Province. The tap water is intended to replace the groundwater used in the private sector and the PWA's production of tap water from groundwater wells. In addition, the Company aims to increase tap water production capacity to meet the constantly growing demand, thereby solving the problem of land subsidence and the intrusion of saline water into the underground aquifers in line with the Government's policy.

The Company was incorporated on 11 September 2000 and has a current registered and paid-up capital of Baht 3,990 million. On 21 September 2000, the Company and the PWA entered into a Water Purchase and Sale Agreement, which is a Build-Own-Operate ("BOO") contract with a term of 30 years, namely, the Company carries out construction of the tap water production and distribution systems to consumers with the maximum installed production capacity of 320,000 cubic meters/day, which is the second highest capacity after Pathum Thani Water Co., Ltd. ("Pathum Thani Water"), the Company's subsidiary. The

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Company is the owner of the tap water production and distribution systems to consumers and is under no obligation to transfer them to the PWA. The Water Purchase and Sale Agreement (WPSA) also specifies the Minimum Off-take Quantity (MOQ) that the PWA must purchase from the Company throughout the 30-year term of the Agreement, which can be summarized as follows.

<u>Commencement</u>	<u>End</u>	<u>MOQ to be Purchased by PWA</u> <u>(cubic meters/day)</u>
21 July 2004	20 July 2006	200,000
21 July 2006	20 July 2008	250,000
21 July 2008	20 July 2034 (End of the Agreement)	300,000

Moreover, on 29 December 2008, the Company and PWA had agreed to amend the existing WPSA, increasing the MOQ to 354,000 cubic meters/day. Therefore, the Company is carrying out a construction for plant enhancement in order to increase the Company's production capacity from 320,000 cubic meters/day to 440,000 cubic meters/day. The new MOQ will start, when the construction is completed, which will be before 19 October 2010, from 309,000 cubic meters/day in the first year, and increase by 9,000 cubic meters/day each year until year sixth. The amendment contract will end at the same time as the original contract.

The water charge rate used in calculating the monthly charge is fixed in the Agreement and is subject to adjustment according to the consumer price index for the central region and a constant value (K) every year throughout the term of the Water Purchase and Sale Agreement.

In addition to the Water Purchase and Sale Agreement, the Company also obtained a waterworks business concession from the Ministry of Natural Resources and Environment on 11 March 2005, allowing the Company to produce tap water for distribution in five districts of the two provinces described above for 25 years.

In operating its waterworks business, the Company has WaterFlow Co., Ltd. ("WaterFlow"), the Company's wholly owned subsidiary with a registered and paid-up capital of Baht 10 million, serving the Company as part of an operating unit, which is responsible for producing and distributing tap water to the PWA.

Although the Company has been active in this industry for just over five years from the day it began producing tap water for distribution to the PWA on 5 January 2004, the Company's revenues and operating results have grown steadily with the growth rate of average annual sales in 2005, 2006, 2007, and 2008 of 61.5%, 23.8%, 11.8% and 15.8%, respectively. From these figures, it can be seen that sales of tap water grew significantly in the first year and subsequently declined. That was because, before the Company began distributing tap water, consumers in Samut Sakhon and Nakhon Pathom Provinces were using groundwater as the source of water for their consumption. Consequently, when tap water, which is a cleaner source of water, became available, a large number of consumers switched to tap water immediately. The Company's growth rate of sales in the following years will depend on the switching of the remaining groundwater users to tap

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water users, economic condition, and growth of population in the areas. Samut Sakhon and Nakhon Pathom Provinces are economic areas with a high concentration of factories. The quantity of water usage in the industrial sector accounts for 54.1% of the total sale volume. These are also areas of high population density, which commercial and household users consume 22.2% and 23.7% of all tap water sold, respectively.

In June 2006, the Company engaged Thai DCI to survey the demand for tap water in its service areas. The survey revealed that the total water demand in the service areas was 967,234 cubic meters/day, of which only 19% was for tap water while 81% was for groundwater. Thai DCI forecasted that industrial use of groundwater in the Company's service areas will end in 2015.

On 29 June 2007, the Company purchased 10,698,283 ordinary shares in Pathum Thani Water at the price of Baht 340 per share, or 89.15% of Pathum Thani Water's total shares. Subsequently, on 18 December 2007, the Company acquired additional ordinary shares in Pathum Thani Water representing another 8.85% of the total shares in Pathum Thani Water at the price of Baht 340 per share, representing a total investment cost of Baht 3,998.3 million. The price of those shares in Pathum Thani Water was in the price range appraised by two independent appraisers, namely, SCMB Co., Ltd. and Seamico Securities Public Company Limited, using the discounted cash flow method. The fair value has been set at Baht 314.6–378.3 per share (based on the weighted average cost of capital between 8.32%-12.44%) and Baht 389.8–466.3 per share (based on the weighted average cost of capital between 7.93%-9.93%), respectively. The calculation was based on the total production capacity of 358,000 cubic meters/day (comes from the previous production capacity of 288,000 cubic meters/day and the MOQ of 70,000 cubic meters/day from plant expansion). As a result, Pathum Thani Water became a subsidiary of the Company and the Company recorded the difference between the purchase price and the fair value of Pathum Thani Water of Baht 3,169 million as the right to produce and sell treated water.

Similar to the Company's business, Pathum Thani Water produces and distributes tap water to the PWA. On 31 August 1995, Pathum Thani Water and the PWA entered into a Water Production and Distribution Agreement with a term of 25 years commencing 15 October 1998 and ending 14 October 2023. This Agreement is a Build-Own-Operate-Transfer ("BOOT") contract, whereby Pathum Thani Water would build the water production and distribution systems and must transfer the water distribution system to the PWA on the Commencement Date. However, ownership of the water production system will be vested in the PWA at the end of the 25-year period. In this Agreement, the PWA agreed to purchase tap water from Pathum Thani Water for distributing the water to consumers in Pathum Thani-Rangsit areas in Pathum Thani Province. As at 1 August 2008, the maximum production capacity was 388,000 cubic meters/day (comprising installed production capacity at 288,000 cubic meters/day and expanded production capacity including reserve production capacity at 100,000 cubic meters/day). This is the maximum production capacity as compared to that of all other private sector operators of waterworks business in the country. In addition, the MOQ for Pathum Thani Water is subject to annual adjustment under the condition that the MOQ in each year shall not be less than the MOQ in the previous year. From 2007 until 31 July 2008, the MOQ for Pathum Thani Water was 260,000 cubic meters/day and from 1 August 2008 until present, the MOQ for Pathum Thani Water is 310,000



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cubic meters/day. The water charge rate that Pathum Thani Water receives from the PWA is adjusted every year according to the consumer price index.

In addition to the Water Production and Distribution Agreement with the PWA, Pathum Thani Water was granted a waterworks business concession by the Ministry of Interior on 13 January 2000, allowing it to produce and distribute tap water in Pathum Thani-Rangsit service areas in Pathum Thani Province for a period of 25 years.

Since 26 January 2007, Pathum Thani Water has been engaging in the waterworks business in conjunction with BJT Water Company Limited (“BJT Water”), which functions as a tap water production and distribution unit for sales to the PWA. BJT Water is a 100% wholly owned subsidiary of Pathum Thani Water and has a registered and paid-up capital of Baht 50 million.

From 1998 to 2000, Pathum Thani Water's growth rate of sales was quite low, at an average of 9.6%. That was because the Government's policy of closing groundwater wells was not stringent at that time, and as a result, many water users continued using groundwater even though the tap water services were in place. Subsequently, the Department of Groundwater Resources enforced stricter measures to close groundwater wells by ceasing to issue new licenses to new applicants or renew existing licenses to the licensees and increasing groundwater charges. As a result of such policy, Pathum Thani Water's sales increased between 2000 and 2004 with the average growth rate of sales of 21.3%. Nevertheless, after 2004, the growth rate of sales of quantity of water dropped to 12.4%, 7.2% and 6.8% in 2005, 2006 and 2007, respectively. However, since July 2006, sales volume in the service area of Pathum Thani Water continually increased until exceed its installed production capacity at 288,000 cubic meters/day. Therefore, Pathum Thani Water enter into an additional Production and Distribution Agreement at 15 September 2006 to expand its maximum capacity for another 70,000 cubic meters/day, and at 1 August 2008, Pathum Thani Water start to produce and sell water from the additional capacity.

In August 2004, ASDECON Corporation Co., Ltd. conducted a study of tap water demand in Pathum Thani-Rangsit areas until year 2033 by using assumption based on significant factors, i.e., the number of population, the proportion of service, the water usage ratio, and the existence of alternative water sources, e.g., groundwater. The study revealed a continuous increase in demand for tap water. It is predicted that the demand for tap water will grow up to 470,594 cubic meters/day in 2013, or at the Cumulative Annual Growth Rate (CAGR) from 2008 to 2013 of 4.8%. As regards the long-term tendency, demand is expected to rise to 783,848 cubic meters/day, namely, the CAGR from 2008 to 2033 representing 3.0%.

**11. Lists of Executives and Top Ten Shareholders as at the Most Recent Record Date on 16 June 2009 for the Extraordinary General Meeting of Shareholders**

No.	Directors	Position
1	Dr. Thanong Bidaya	Chairman of the Board of Directors
2	Mr. Plew Trivisvavet	Director
3	Mr. Narong Sangsuriya	Director / Chairman of the Executive Committee
4	Mr. Prasert Marittanaporn	Director / Member of the Nomination and Remuneration

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No.	Directors	Position
5	Dr. Sombat Kitjalaksana	Committee / Member of the Risk Management Committee Director / Executive Director
6	Mr. Sompodh Sripoom	Director / Executive Director / Member of the Corporate Governance Committee / Member of the Risk Management Committee
7	Mr. Koichi Wakana	Director / Member of the Nomination and Remuneration Committee
8	Mr. Kazushige Katamura	Director / Executive Director / Member of the Risk Management Committee
9	Mr. Phairuch Mekarporn	Director / Chairman of the Nomination and Remuneration Committee / Member of the Audit Committee / Member of the Corporate Governance Committee
10	Mr. Techapit Sangsingkeo	Director / Chairman of the Audit Committee / Chairman of the Risk Management Committee / Member of the Corporate Governance Committee
11	Mr. Somnuk Chaidejsuriya	Director / Chairman of the Corporate Governance Committee / Member of the Audit Committee
12	Mr. Suvich Pungchareon	Director / Executive Director

(Translation)

List of top ten shareholders as of 16 June 2009

Shareholders	Number of Shares	Shareholding Percentage
1. CH. Karnchang Public Company Limited	1,408,777,400	35.31%
2. Mitsui Water Holdings (Thailand) Co., Ltd.	1,032,500,000	25.88%
3. Bangkok Expressway Public Company Limited	368,750,000	9.24%
4. HSBC (SINGAPORE) NOMINEES PTE LTD	202,992,100	5.09%
5. STATE STREET BANK AND TRUST COMPANY FOR LONDON	147,630,000	3.70%
6. Bangkok Bank Public Company Limited	73,895,000	1.85%
7. Thai NVDR Co., Ltd.	71,919,700	1.80%
8. CHASE NOMINEES LIMITED 1	61,141,000	1.53%
9. STATE STREET BANK AND TRUST COMPANY FOR AUSTRALIA	31,327,200	0.79%
10. AMERICAN INTERNATIONAL ASSURANCE COMPANY, LIMITED-APEX	25,000,000	0.63%

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## 12. Connected Transaction in Previous Year and Current Year until the Second Quarter

Person/Juristic Person who may have conflict of interest	Relationship	Nature of Transaction	2008 ('000 Baht)	First Quarter in 2009 ('000 Baht)	Necessity/Justification	Pricing Policy
1. CH. Karnchang Public Company Limited	<ul style="list-style-type: none"> <li>This is an associated company.</li> <li>This is a major shareholder of the Company, holding 1,408,777,400 shares, or representing 35.31% of its paid-up registered capital as at 16 June 2009.</li> <li>Four directors who are executive directors of CH. Karnchang, namely, <ul style="list-style-type: none"> <li>1) Mr. Plew Trivisvavet serves as director of the Company; and</li> <li>2) Mr. Narong Sangsuriya serves as director and Chairman of the Executive Committee of the Company; and</li> <li>3) Dr. Sombat Kijjalaksana, serves as director and executive director of the Company; and</li> <li>4) Mr. Prasert Maritanaporn serves as director, member of the Risk Management Committee and member of the Nomination and Remuneration Committee of the Company.</li> </ul> </li> </ul>	<p><u>Transaction with CK</u></p> <ul style="list-style-type: none"> <li>The Company entered into the civil work construction contract with CH. Karnchang which is a major shareholder of the Company in the project for the tap water production capacity expansion from 320,000 cubic meters/day to 440,000 cubic meters/day. The Board of Directors' Meeting No. 8/2551 held on 22 October 2008 and the Shareholders' Meeting No. 2/2551 held on 17 December 2008 resolved to grant approval for the Company to enter into the civil work construction contract with CH. Karnchang Public Company Limited which is a major shareholder of the Company. Such transaction is deemed a connected transaction in accordance with the principle of acquisition or disposition of assets. <ol style="list-style-type: none"> <li>Other receivables</li> <li>Advance payment for construction</li> <li>Trade accounts payable</li> <li>Retention payable</li> </ol> </li> </ul>	89 95,839 102,580 -	21 95,839 31 -	<ul style="list-style-type: none"> <li>The Company would derive income from distribution of tap water in respect of the expansion of the production capacity in the amount of not exceeding 100,000 cubic meters/day, ranging Baht 10,953.10-11,848.45 million.</li> <li>The Company is able to retain its leading position as the largest privately owned tap water producer in the country.</li> <li>The Company would apply the efficient and advanced technologies to tap water production.</li> </ul> <p><u>Advantages of the Connected Transaction</u></p> <ul style="list-style-type: none"> <li>CH. Karnchang is one of the large infrastructure construction contractors of the country, and is greatly experienced in a variety of construction works, both in the country and abroad.</li> <li>CH. Karnchang carried out construction of the expansion of the tap water production plant with a capacity of 100,000 cubic meters/day for Pathum Thani Water, and constructed the tap water production plant for the Company.</li> <li>CH. Karnchang has a good financial standing and its previous operational results are strong with a low risk of inability to carry out construction and deliver the work according to the contract schedule.</li> </ul>	<p><u>Price Justification</u></p> <p>Price or budget control is done by the expert, i.e., Thai MM Co., Ltd., the project manager of the tap water production capacity expansion of 100,000 cubic meters/day, to design and estimate budget for the project, and serves as consultant of the Company. The Company negotiated on price with CH. Karnchang, and the final price in the contract is lower than Baht 36,078,000 initially quoted by CH. Karnchang, or representing 5.34%, and is also lower than the project budget of Baht 24,493,480 assessed and prepared by Thai MM Co., Ltd., or representing 3.69%.</p>

(Translation)

## 13. Summary of Financial Statements during the Past 3 years Until the First Quarter of 2009

**Balance Sheets**

Description	Consolidated financial statements							
	31 December 2006		31 December 2007		31 December 2008		31 March 2009	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
<b>CURRENT ASSETS</b>								
Cash and cash equivalents	481,130	4.50	776,850	4.16	850,643	4.75	2,084,542	10.93
Current investments	570,000	5.34	745,302	3.99	299,941	1.68	299,948	1.57
Restricted bank deposits	-	-	184,483	0.99	257,676	1.44	307,802	1.61
Trade accounts receivable	217,596	2.04	292,705	1.57	346,798	1.94	352,383	1.85
Other receivable – related party	-	-	16	-	89	-	21	-
Raw materials and supplies	6,685	0.06	14,117	0.08	18,326	0.10	19,730	0.10
Advance payment for construction – related parties	-	-	42,593	0.23	95,839	0.54	95,839	0.50
Advance payment for construction – Unrelated parties	-	-	-	-	-	-	63,000	0.33
Other current assets								
Interest receivable	10,223	0.10	8,172	0.04	3,756	0.02	2,167	0.01
Prepaid expenses	18,004	0.17	33,768	0.18	20,019	0.11	16,311	0.09
Withholding tax deducted at source	-	-	13,650	0.07	33,952	0.19	30,602	0.16
Others	3,023	0.03	30,574	0.16	13,958	0.08	5,654	0.03
<b>TOTAL CURRENT ASSETS</b>	<b>1,306,661</b>	<b>12.23</b>	<b>2,142,230</b>	<b>11.47</b>	<b>1,940,997</b>	<b>10.85</b>	<b>3,277,999</b>	<b>17.20</b>
<b>NON-CURRENT ASSETS</b>								
Property, plant and equipment – net	9,355,964	87.59	9,196,857	49.23	8,925,500	49.88	8,853,646	46.44
Assets for production of treated water – net	-	-	4,258,205	22.79	4,134,413	23.10	4,074,242	21.37
Right to produce and sell treated water – net	-	-	3,079,619	16.49	2,884,138	16.12	2,836,070	14.88
Withholding tax deducted at source	4,272	0.04	3,634	0.02	2,560	0.01	10,408	0.05
Deposits	-	-	-	-	-	-	6,912	0.04
Others	15,048	0.14	604	-	7,025	0.04	4,000	0.02
<b>TOTAL NON-CURRENT ASSETS</b>	<b>9,375,284</b>	<b>87.77</b>	<b>16,538,919</b>	<b>89.53</b>	<b>15,953,636</b>	<b>89.15</b>	<b>15,785,278</b>	<b>82.80</b>
<b>TOTAL ASSETS</b>	<b>10,681,945</b>	<b>100.00</b>	<b>18,681,149</b>	<b>100.00</b>	<b>17,894,633</b>	<b>100.00</b>	<b>19,063,277</b>	<b>100.00</b>

## (Translation)

## Balance Sheets (continued)

Description	Consolidated financial statements							
	31 December 2006		31 December 2007		31 December 2008		31 March 2009	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
<u>CURRENT LIABILITIES</u>								
Bank overdrafts and short-term loans from financial institutions	-	-	3,004,836	16.08	354	0.01	-	-
Trade accounts payable								
Related parties	260	-	-	-	-	-	-	-
Unrelated parties	31,503	0.29	58,897	0.32	49,208	0.27	25,345	0.13
Amounts due to related party	-	-	137,340	0.74	102,580	0.57	31	-
Other payable	-	-	-	-	6,696	0.04	5,749	0.03
Retention payable								
Related parties	-	-	1,251	0.01	-	-	-	-
Unrelated parties	2,150	0.02	3,177	0.02	3,897	0.02	2,355	0.01
Current portion of long-term loans from financial institutions	700,000	6.55	1,411,800	7.56	1,103,955	6.17	505,000	2.65
Other current liabilities								
Accrued expenses	18,428	0.17	47,440	0.25	45,036	0.25	69,438	0.36
Unbilled output tax	9,940	0.09	20,339	0.11	21,840	0.12	23,358	0.12
Value added tax payable	8,145	0.08	10,606	0.05	13,140	0.07	16,995	0.09
Others	1,659	0.02	9,378	0.05	6,153	0.03	1,626	0.01
<b>TOTAL CURRENT LIABILITIES</b>	<b>772,085</b>	<b>7.22</b>	<b>4,705,064</b>	<b>25.19</b>	<b>1,352,858</b>	<b>7.56</b>	<b>649,897</b>	<b>3.41</b>
<u>NON-CURRENT LIABILITIES</u>								
Debentures – net	-	-	-	-	-	-	6,986,946	36.65
Long-term loans from financial institutions – net of portions due in one year	6,020,000	56.36	9,261,312	49.58	8,205,391	45.85	2,781,401	14.59
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>6,020,000</b>	<b>56.36</b>	<b>9,261,312</b>	<b>49.58</b>	<b>8,205,391</b>	<b>45.85</b>	<b>9,768,347</b>	<b>51.24</b>
<b>TOTAL LIABILITIES</b>	<b>6,792,085</b>	<b>63.58</b>	<b>13,966,376</b>	<b>74.76</b>	<b>9,558,248</b>	<b>53.41</b>	<b>10,418,244</b>	<b>54.65</b>
<u>SHAREHOLDERS' EQUITY</u>								
Issued and fully paid-up shares	3,250,000	30.43	3,290,000	17.61	3,990,000	22.30	3,990,000	20.93
Share premium	475,000	4.45	483,000	2.59	2,637,770	14.74	2,637,770	13.84
Retained earnings								
Appropriated for statutory reserve	51,602	0.48	399,000	2.14	399,000	2.23	399,000	2.09
Appropriated for other reserve	-	-	-	-	72,447	0.40	72,447	0.38
Inappropriate	713,621	6.68	1,123,775	6.02	1,811,237	10.12	2,117,005	11.11
Difference on reorganisation of business of the Group companies	(600,363)	(5.62)	(600,363)	(3.21)	(600,363)	(3.35)	(600,363)	(3.15)
Minority interest – equity attributable to minority shareholders of subsidiaries	-	-	19,361		26,294	0.15	29,174	0.15
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>3,889,860</b>	<b>36.42</b>	<b>4,714,773</b>	<b>25.24</b>	<b>8,336,384</b>	<b>46.59</b>	<b>8,645,033</b>	<b>45.35</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>10,681,945</b>	<b>100.00</b>	<b>18,681,149</b>	<b>100.00</b>	<b>17,894,633</b>	<b>100.00</b>	<b>19,063,277</b>	<b>100.00</b>

## (Translation)

## Income Statements

Description	Consolidated financial statements							
	2006		2007		2008		Jan. – Mar. 2009	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
<b>REVENUES</b>								
Sales of treated water	1,697,802	98.58	2,567,034	97.88	3,569,256	98.09	943,029	98.59
Service income	-	-	23,037	0.88	36,010	0.99	9,794	1.02
Interest income	24,385	1.42	32,895	1.25	30,593	0.84	3,547	0.37
Other income	-	-	266	0.01	2,933	0.08	144	0.02
<b>TOTAL REVENUES</b>	<b>1,722,187</b>	<b>100.00</b>	<b>2,623,232</b>	<b>100.00</b>	<b>3,638,792</b>	<b>100.00</b>	<b>956,514</b>	<b>100.00</b>
<b>EXPENSES</b>								
Cost of sales of treated water and service	496,142	28.80	780,802	29.76	1,176,902	32.34	301,912	31.56
Selling and administrative expenses	90,997	5.28	125,108	4.77	168,236	4.62	41,759	4.37
Amortization of the right to produce and distribute tap water	-	-	89,490	3.41	195,480	5.37	48,069	5.03
<b>TOTAL EXPENSES</b>	<b>587,139</b>	<b>34.09</b>	<b>995,400</b>	<b>37.95</b>	<b>1,540,619</b>	<b>42.34</b>	<b>391,740</b>	<b>40.95</b>
Income before financial expenses and corporate income tax	1,135,048	65.91	1,627,832	62.05	2,098,173	57.66	564,774	59.05
Financial expenses	(451,081)	26.19	(670,583)	25.56	(728,699)	20.03	(256,126)	26.78
Corporate income tax	(2,071)	0.12	(14,037)	0.54	(2,133)	0.06	-	-
Net income before portion of existing shareholders and portion of minority shareholders	681,896	39.59	943,212	35.96	1,367,341	37.58	308,648	32.27
Net income belonging to existing shareholders	(7,490)	0.43	-	-	-	-	-	-
Net profit of minority interest in subsidiaries	-	-	(23,160)	0.88	(8,934)	0.25	(2,880)	0.25
<b>Net income for the period</b>	<b>674,406</b>	<b>39.16</b>	<b>920,052</b>	<b>35.07</b>	<b>1,358,407</b>	<b>37.33</b>	<b>305,768</b>	<b>31.97</b>
Primary earnings per share (Baht)		0.21		0.28		0.37		0.08
Weighted average number of ordinary shares (shares)	3,211,482,384		3,253,015,421		3,718,415,300		3,990,000,000	

**Remark:** The financial statements before 31 March 2009 have been reclassified for comparison with the financial statements as at 31 March 2009.

(Translation)

## Cash Flow Statements

Description	Consolidated financial statements			
	2006	2007	2008	Jan. – Mar. 2009
<u>Cash flow from (used in) operating activities</u>				
Net profit	676,477	957,248	1,369,474	308,648
Adjustment to reconcile net income to cash received (paid) from operating activities:				
Depreciation and amortization	255,555	401,269	582,220	141,376
Amortization of the right to produce and sell treated water	-	89,490	195,480	48,069
Loss on sales of equipment	772	8	(1,270)	(48)
Unrealized gain on exchange	(184)	-	-	-
Interest expenses	437,016	637,643	702,381	135,384
Income from operation activities before changes in operating assets and liabilities	1,369,636	2,085,658	2,848,285	633,429
Operating assets (increase) decrease				
Trade accounts receivable	(91,163)	40,609	(54,093)	(5,585)
Other receivable – related parties	34,090	(16)	(73)	68
Raw materials and supplies	(3,669)	1,914	(4,208)	(1,405)
Other current assets	(18,805)	(23,823)	34,945	9,601
Other non-current assets	(215)	3,849	(1,477)	113
Operating liabilities increase (decrease)				
Trade accounts payable – related party	(96,824)	(260)	-	-
Trade accounts payable – unrelated parties	5,067	8,520	(9,689)	(23,863)
Amounts due to related party	-	(495,047)	(105,706)	(102,549)
Other accounts payable	-	-	6,696	(947)
Other current liabilities	(20,396)	11,484	7,007	(1,302)
Cash flow from operating activities	1,177,721	1,632,888	2,721,687	507,560
Cash paid for interest expenses	(435,402)	(633,773)	(714,869)	(106,748)
Cash paid for corporate income tax	(2,071)	(15,291)	(25,173)	(4,499)
Net cash from operating activities	740,248	983,824	1,981,645	396,313



(Translation)

## Cash Flow Statements (continued)

Description	Consolidated financial statements			
	2006	2007	2008	Jan. – Mar. 2009
<u>Cash flow from (used in) investment activities</u>				
Decrease (increase) in current investments	(285,000)	(124,803)	445,361	(7)
Decrease (increase) in restricted bank deposits	-	19,485	(73,193)	(50,126)
Decrease (increase) in advance payment for construction – related party	-	(42,592)	42,593	(63,000)
Net cash payments for acquisition of investments in subsidiaries	(660,539)	(3,498,488)	-	-
Cash payments for acquisition of investments in subsidiaries from minority interest	-	(360,894)	-	-
Increase in property, plant and equipment	(9,363)	(101,426)	(67,034)	(9,515)
Increase in assets for production of treated water that must be transferred at end of concession	-	(260,848)	(114,408)	(92)
Interest expenses capitalised as part of assets	-	(15,995)	(30,368)	-
Proceeds from disposal of equipment	1,535	-	3,707	304
Cash paid for deposits for purchase of land	(15,000)	-	-	-
Increase (decrease) in retention payable	(6,345)	1,642	(531)	(1,542)
Net cash from (used in) investment activities	(974,712)	(4,383,919)	206,127	(123,978)
<u>Cash flow from (used in) financing activities</u>				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	-	2,983,891	(3,004,482)	(354)
Net cash received from issuance of ordinary shares for capital increase	725,000	48,000	2,854,770	6,984,863
Increase in long-term loans from financial institutions	-	1,526,424	83,000	-
Decrease in long-term loans from financial institutions	(140,000)	(700,000)	(1,446,767)	(6,022,945)
Dividend paid for minority interest	-	-	(2,001)	-
Dividend paid	(257,000)	(162,500)	(598,499)	-
Net cash from (used in) financing activities	328,000	3,695,815	(2,113,979)	961,564
Net increase (decrease) in cash and cash equivalents	93,536	295,720	73,793	1,233,899
Cash and cash equivalents at the beginning of period	387,594	481,130	776,850	850,643
Cash and cash equivalents at the end of period	481,130	776,850	850,643	2,084,542
Supplemental cash flows information				
Transfer depreciation to construction in progress	-	15,000	-	-

(Translation)

Key Financial Ratios

Financial Ratios	Unit	2006	2007	2008	3 months of 2009
<u>Liquidity Ratios</u>					
Liquidity ratio	Times	1.69	0.46	1.43	5.04
Quick ratio	Times	1.64	0.39	1.11	4.21
Cash flow current ratio	Times	1.39	0.59	0.89	0.40
Trade accounts receivable turnover	Times	9.87	10.15	11.28	10.90
Raw materials and supplies turnover	Times	n.a.	n.a.	n.a.	n.a.
Trade accounts payable turnover	Times	7.76	17.22	21.77	32.40
Average collection period	Days	36	35	32	33
Raw materials and supplies turnover period	Days	n.a.	n.a.	n.a.	n.a.
Average debt servicing period	Days	46	21	17	11
Cash turnover	Days	n.a.	n.a.	n.a.	n.a.
<u>Profitability Ratios</u>					
Gross profit margin	%	70.78%	69.85%	67.36%	68.31%
Operating profit margin	%	66.03%	62.85%	58.20%	59.27%
Cash to profitability ratio	%	66.04%	60.44%	94.45%	17.54%
Net profit margin	%	39.16%	35.07%	37.33%	31.97%
Return on equity	%	18.64%	21.39%	20.82%	14.40%
<u>Efficiency Ratios</u>					
Return on assets	%	6.41%	6.27%	7.43%	6.62%
Return on fixed assets	%	9.84%	10.60%	12.78%	11.87%
Assets turnover	Times	0.16	0.18	0.20	0.21
<u>Financial Policy Ratios</u>					
Debt to equity ratio	Times	1.75	2.96	1.15	1.21
Interest serviceability ratio	Times	2.70	3.56	4.84	1.73
Debt serviceability ratio (cash basis)	Times	0.49	0.29	0.46	0.07
Dividend payment ratio	%	38.11%	17.66%	44.06%	0.00%

(Translation)

## Management Discussion and Analysis of Financial Position and Results of Operations

### Overview of Past Results of Operations

In 2006, the Company invested in 100 percent of ordinary shares in WaterFlow Co., Ltd. (“WaterFlow”) and amended the Operation & Maintenance Agreement (“O&M”) with WaterFlow in April 2006, by reducing service fee from Baht 3.56 per cubic meter which included the labor costs, electricity, chemical substances, and supplies for tap water production to Baht 0.25 per cubic meter, covering the labor costs, and supplies for tap water production only, whereby the Company will be responsible for the electricity, and chemical cost. In this regard, the Company prepared the consolidated financial statements of the Company and WaterFlow on 1 March 2006 onwards.

In June and December 2007, the Company invested in 98.0 percent of ordinary shares in Pathum Thani Water Co., Ltd. (“Pathum Thani Water”), totaling Baht 3,998.4 million, by using loans from financial institutions in full. After the investment in ordinary shares in Pathum Thani Water, the Company had a duty to prepare the consolidated financial statements which also included the results of operations of Pathum Thani Water and BJT Water Co., Ltd. (“BJT”), as a subsidiary of Pathum Thani Water, from 1 July 2007 in the Company’s results of operations in the consolidated financial statements.

### Analysis of Results of Operations

#### A. Revenue from Sales of Tap Water

In 2007, the Company and its subsidiaries had revenue from sales of tap water totaling Baht 2,567.03 million, representing an increase by Baht 869.23 million or 51.20 percent as compared to that of 2006. The increased revenue from sales of tap water was due to the increase of the Company’s total distributed tap water by 9.8 million cubic meters and increase in tap water charge rate to Baht 21.48 per cubic meter and the inclusion of Pathum Thani Water’s revenue from sales of tap water from July 2007 to December 2007 (six months).

In 2008, the Company and its subsidiaries had revenue from sales of tap water amounting to Baht 3,569.25 million, representing an increase by Baht 1,002.22 million or 39.04 percent as compared to that of 2007. The increased revenue from sales of tap water was due to the increase of the Company’s total distributed tap water by 14.7 million cubic meters and increase in tap water charge rate to Baht 22.75 per cubic meter and the inclusion of Pathum Thani Water’s revenue from sales of tap water for the entire year (12 months).

In the first quarter of 2009, the Company and its subsidiaries had revenue from sales of tap water amounting to Baht 943.03 million, representing an increase by Baht 98.07 million or 11.60 percent as compared to that of the same period of the previous year, which can be explained as follows:

1) The revenue from sales of tap water of the Company increased by Baht 63.80 million or 11.60 percent due to the increase of the Minimum Off-take Quantity required to be purchased by the Provincial Waterworks Authority from 250,000 cubic meters per day to 300,000 cubic meters per day since July 2008, whereby the Company will grant discount to the Provincial Waterworks Authority (PWA) when the Company’s total distributed tap water is higher than the Minimum Off-take Quantity required to be purchased by the PWA in each period. Therefore, in the first quarter of 2009, with the total distributed tap water at lower than 300,000 cubic meters per day, the Company will sell tap water at the tap water charge rate of Baht 23.55 per cubic meter; while in the first quarter of 2008, with the total distributed tap water at higher than 250,000 cubic meters per day, the Company sold tap

(Translation)

water at the tap water charge rate of Baht 10.24 per cubic meter, representing a discount of 55 percent of the price under the Agreement and the increased tap water charge rate from the previous year.

2) The revenue from sales of tap water of the subsidiaries increased by Baht 37.00 million or 12.3 percent due to the increased total distributed tap water of the subsidiaries by 0.6 million cubic meters or 2.3 percent and the increased tap water charge rate from the previous year.

B. Costs of Sales of Tap Water and Service

The cost of sales of tap water of the Company and its subsidiaries mostly comprised depreciation, amortization of assets used in the tap water production and distribution, and expenses in tap water production and distribution covering costs of electricity, chemical substances, labor, supplies and rental of land for the tap water transmission and distribution systems.

In 2007, the Company and its subsidiaries had costs of sales of tap water and service totaling Baht 780.80 million, representing an increase by Baht 284.66 million or 57.37 percent as compared to that of 2006. The increased costs of sales of tap water and service mostly were Pathum Thani Water's and BJT's costs of sales of tap water and service from July 2007 to December 2007, amounting to Baht 246.8 million.

In 2008, the Company and its subsidiaries had costs of sales of tap water and service totaling Baht 1,176.90 million, representing an increase by Baht 396.10 million or 50.73 percent as compared to that of 2007. The increased costs of sales of tap water and service were due to the increase in total distributed tap water of the Company, thereby resulting in an increase of the cost of tap water production and cost of repair of the Company and its subsidiaries, as well as the record of the costs of sales of tap water and service of Pathum Thani Water and BJT for the entire year (12 months).

In the first quarter of 2009, the Company and its subsidiaries recorded the costs of sales of tap water and service amounting to Baht 301.91 million, representing an increase by Baht 39.82 million or 15.19 percent as compared to that of the same period of the previous year. This was due to the Company's payment of the discount on tap water charges to the PWA accumulated from 21 July 2004 – 21 January 2009, amounting to Baht 25.7 million and the increased expenses in repair of the water treatment plant and distribution stations of its subsidiaries by Baht 5.0 million.

C. Selling and Administrative Expenses

In 2007, the Company and its subsidiaries had selling and administrative expenses totaling Baht 158.05 million, representing an increase by Baht 52.99 million or 50.44 percent as compared to that of 2006. The increased selling and administrative expenses mostly were Pathum Thani Water's and BJT's selling and administrative expenses from July 2007 to December 2007 and expenses in respect of the purchase of ordinary shares in Pathum Thani Water, e.g., upfront fee, legal expenses, and financial expenses.

In 2008, the Company and its subsidiaries had selling and administrative expenses totaling Baht 168.24 million, representing an increase by Baht 43.12 million or 34.47 percent as compared to that of 2007. The increased selling and administrative expenses were expenses incurred in repair of an entry road to the water treatment plant amounting to Baht 5 million, expenses in listing of ordinary shares on the Stock Exchange of

(Translation)

Thailand amounting to Baht 17 million and the record of the selling and administrative expenses of Pathum Thani Water and BJT for the entire year (12 months).

In the first quarter of 2009, the Company and its subsidiaries recorded the selling and administrative expenses amounting to Baht 41.76 million, representing an increase by Baht 11.9 million or 46.10 percent as compared to that of the same period of the previous year. This was due to the Company's and its subsidiaries' increased expenses incurred in respect of employees, legal consultations, public relations advertisements and other fees by Baht 9.1 million.

D. Amortization of the Right to Produce and Distribute Tap Water

In 2007, the Company and its subsidiaries had amortization of the right to produce and distribute tap water amounting to Baht 89.49 million, representing an increase by 100 percent as compared to that of 2006. The entire amount of increased amortization was a result of the Company's payment for purchase of ordinary shares in Pathum Thani Water at the price higher than the fair value of the assets used in Pathum Thani Water's tap water production. Such right would be amortized by Baht 197 million per year commencing from 2007 onwards.

In 2008, the Company and its subsidiaries had amortization of the right to produce and distribute tap water amounting to Baht 195.48 million, representing an increase by 118.44 percent as compared to that of 2007 due to the record of the amortization of such right for the entire year (12 months).

E. Financial Expenses

In 2007, the Company and its subsidiaries had financial expenses totaling Baht 670.58 million, representing an increase by Baht 219.32 million or 48.60 percent as compared to that of 2006. The entire amount of increased financial expenses was Pathum Thani Water's financial expenses from July 2007 to December 2007.

In 2008, the Company and its subsidiaries had financial expenses amounting to Baht 728.70 million, representing an increase by Baht 58.12 million or 8.67 percent as compared to that of 2007. The increased financial expenses were an inclusion of the financial expenses of Pathum Thani Water and BJT for the entire year (12 months); while recognizing the financial expenses of Pathum Thani Water and BJT for merely six months from July to December 2007 in the consolidated financial statements of 2007. However, the Company's financial expenses decreased by Baht 51.7 million or 9.2 percent, since during 2008, the Company repaid the short-term loan amounting to Baht 3,000 million and the long-term loan amounting to Baht 1,028.8 million; while Pathum Thani Water repaid the long-term loan amounting to Baht 418 million.

In the first quarter of 2009, the Company and its subsidiaries recorded the financial expenses amounting to Baht 256.13 million, representing an increase by Baht 46.10 million or 21.94 percent as compared to that of the same period of the previous year, which can be explained as follows:

1) The Company made prepayment of long-term loan amounting to Baht 5,839.8 million, subject to a prepayment fee of Baht 116.8 million, and the subsidiaries had financial agency expenses amounting to Baht 3.0 million.

2) The Company made repayment of short-term loan amounting to Baht 3,000 million in May 2008 in full, the Company therefore had no interest expenses in respect of such loan.

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F. Net Profit

In 2007, the Company and its subsidiaries had net profit amounting to Baht 920.05 million, representing an increase by Baht 245.64 million or 36.42 percent as compared to that of 2006. The increased net profit was due to the increased total distributed tap water of the Company, the increased tap water charge rate of the Company and the inclusion of the results of operations of Pathum Thani Water and BJT from July 2007 to December 2007.

In 2008, the Company and its subsidiaries had net profit amounting to Baht 1,358.41 million, representing an increase by Baht 438.36 million or 47.64 percent as compared to that of 2007. The increased net profit was due to the increased total distributed tap water of the Company, the increase in tap water charge rate of the Company and its subsidiaries, and the inclusion of the results of operations of Pathum Thani Water and BJT for the entire year (12 months).

In the first quarter of 2009, the Company and its subsidiaries recorded the net profit amounting to Baht 305.80 million, representing an increase by Baht 2.60 million or merely 0.86 percent as compared to that of the same period of the previous year, since the Company made prepayment fee of long-term loan amounting to Baht 5,839.8 million, subject to a prepayment fee of Baht 116.8 million.

**Analysis of Financial Position**

**Total Assets**

The total assets of the Company and its subsidiaries mainly comprised cash and cash equivalents and current investments, property, plant and equipment, assets for production of treated water of its subsidiary and the right to produce and distribute tap water.

A. Cash and Cash Equivalents and Current Investments

As at 31 December 2007, the Company and its subsidiaries had the cash and cash equivalents and current investments amounting to Baht 1,522.15 million, representing an increase by Baht 471.02 million or 44.81 percent, as compared to that of 31 December 2006, due to an increase in the cash from the Company's operation in 2007. The Company also included such item of Pathum Thani Water and BJT amounting to Baht 228.92 million.

As at 31 December 2008, the Company and its subsidiaries had the cash and cash equivalents and current investments amounting to Baht 1,150.58 million, representing a decrease by Baht 371.57 million or 24.41 percent, as compared to that of 31 December 2007, due to the Company's dividend payment amounting to Baht 598.50 million in 2008.

As at 31 March 2009, the Company and its subsidiaries had the cash and cash equivalents and current investments amounting to Baht 2,384.49 million, representing an increase by Baht 1,233.91 million or 107.24 percent, as compared to that of 31 December 2008, due to the Company's issuance and offering for sale of debentures amounting to Baht 7,000 million for repayment of long-term loan amounting to Baht 5,990 million, and the Company will use the remainder of Baht 1,010 million for the expansion of tap water production and distribution capacities.

B. Property, Plant and Equipment

(Translation)

As at 31 December 2007, the Company and its subsidiaries had the net property, plant and equipment amounting to Baht 9,196.86 million, representing a decrease by Baht 159.10 million or 1.70 percent, as compared to that of 31 December 2006, due to depreciation of the Company and its subsidiaries amounting to Baht 288.89 million and additional purchase of property, work under construction and equipment amounting to Baht 116.43 million.

As at 31 December 2008, the Company and its subsidiaries had the net property, plant and equipment amounting to Baht 8,925.5 million, representing a decrease by Baht 271.40 million or 2.95 percent, as compared to that of 31 December 2007, due to depreciation of the Company and its subsidiaries amounting to Baht 246.7 million and work under construction and additional purchase of equipment amounting to Baht 57.22 million.

As at 31 March 2009, the Company and its subsidiaries had the net property, plant and equipment amounting to Baht 8,853.65 million, representing a decrease by Baht 71.85 million or 0.80 percent, as compared to that of 31 December 2008, due to depreciation of the Company and its subsidiaries amounting to Baht 141.40 million and additional purchase of equipment and work under construction amounting to Baht 72.61 million.

C. Assets for Tap Water Production of Pathum Thani Water

As at 31 December 2007, the net assets for tap water production amounted to Baht 4,258.20 million, representing an increase by 100 percent, as compared to that of 31 December 2006, due to the Company's investment in ordinary shares in Pathum Thani Water, representing 98 percent, thereby causing the Company to include the assets for tap water production of Pathum Thani Water amounting to Baht 4,189.09 million in the consolidated financial statements.

As at 31 December 2008, the net assets for tap water production amounted to Baht 4,134.41 million, representing a decrease by Baht 123.79 million or 2.91 percent, as compared to that of 31 December 2007, mainly due to depreciation of the subsidiaries amounting to Baht 123.79 million.

As at 31 March 2009, the net assets for tap water production amounted to Baht 4,074.20 million, representing a decrease by Baht 61.45 million or 1.48 percent, as compared to that of 31 December 2008, mainly due to depreciation of the subsidiaries amounting to Baht 61.54 million and additional purchase of equipment amounting to Baht 0.92 million.

D. Right to Produce and Distribute Tap Water

As at 31 December 2007, the Company had the net right to produce and distribute tap water amounting to Baht 3,079.62 million, representing an increase by 100 percent, as compared to that of 31 December 2006. Such increase was a result of the Company's payment for purchase of ordinary shares in Pathum Thani Water at the price higher than the fair value of the assets used in Pathum Thani Water's tap water production during 2007. Such right would be amortized by Baht 197 million per year commencing from July 2007 onwards.

As at 31 December 2008, the Company had the net right to produce and distribute tap water amounting to Baht 2,884.14 million, representing a decrease by 6.35 percent, as compared to that of 31 December 2007, due to amortization of such right amounting to Baht 195.48 million.

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As at 31 March 2009, the Company had the net right to produce and distribute tap water amounting to Baht 2,836.07 million, representing a decrease by Baht 48.07 million or 1.67 percent, as compared to that of 31 December 2008, due to the Company's record of amortization of such right as expenses amounting to Baht 48.07 million.

**Total Liabilities**

The total liabilities of the Company and its subsidiaries mainly comprised bank overdrafts and short-term loans from financial institutions, long-term loans from financial institutions and debentures.

A. Bank Overdrafts and Short-Term Loans from Financial Institutions

As at 31 December 2007, the Company and its subsidiaries had the bank overdrafts and short-term loans from financial institutions totaling Baht 3,004.84 million, representing an increase by 100.00 percent, as compared to that of 31 December 2006, due to the fact that the Company borrowed short-term loans from financial institutions amounting to Baht 3,000 million for purchase of ordinary shares in Pathum Thani Water, and the Company included the bank overdrafts of Pathum Thani Water amounting to Baht 4.84 million in the consolidated financial statements.

As at 31 December 2008, the Company and its subsidiaries had the bank overdrafts and short-term loans from financial institutions totaling Baht 0.35 million, representing a decrease by Baht 3,004.49 million or 100.00 percent, as compared to that of 31 December 2007, due to the fact that in May 2008, the Company repaid the short-term loans amounting to Baht 3,000 million.

B. Long-Term Loans from Financial Institutions

As at 31 December 2007, the Company and its subsidiaries had the long-term loans from financial institutions totaling Baht 10,673.11 million, representing an increase by Baht 3,953.11 million or 58.83 percent, as compared to that of 31 December 2006, due to the fact that the Company borrowed long-term loans from financial institutions amounting to Baht 998.40 million for purchase of ordinary shares in Pathum Thani Water, and the Company repaid the long-term loan amounting to Baht 700 million, and the Company included the long-term loan from financial institutions of Pathum Thani Water amounting to Baht 3,659.64 million in the consolidated financial statements.

As at 31 December 2008, the Company and its subsidiaries had the long-term loans from financial institutions totaling Baht 9,309.35 million, representing a decrease by Baht 1,363.76 million or 12.78 percent, as compared to that of 31 December 2007, due to the fact that the Company and its subsidiaries repaid the long-term loans amounting to Baht 1,446.77 million and Pathum Thani Water made a long-term loan drawdown amounting to Baht 83.00 million for payment of water treatment plant construction cost.

As at 31 March 2009, the Company and its subsidiaries had the long-term loans from financial institutions totaling Baht 3,286.40 million, representing a decrease by Baht 6,022.95 million or 64.70 percent, as compared to that of 31 December 2008, due to the fact that in February 2009, the Company issued and offered for sale the debentures amounting to Baht 7,000 million with the purpose to make repayment of the remaining long-term loan in full, whereby the Company will use the remainder from the long-term loan repayment in the expansion of tap water production and distribution capacities.



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C. Debentures

As at 31 March 2009, the Company had the net debentures amounting to Baht 6,986.95 million, representing an increase by 100 percent, as compared to that of 31 December 2008, due to the fact that in February 2009, the Company issued and offered for sale the debentures amounting to Baht 7,000 million with the purpose to make repayment of the long-term loan and expansion of tap water production and distribution capacities.

**Shareholders' Equity**

As at 31 December 2007, the Company and its subsidiaries had the shareholders' equity amounting to Baht 4,714.77 million, representing an increase by Baht 824.91 million or 21.21 percent, as compared to that of 31 December 2006, due to the fact that cash received from offering for sale of 40 million ordinary shares at the price of Baht 1.20 per share amounted to Baht 48.0 million, the net profits of the Company and its subsidiaries amounted to Baht 920.05 million, the dividend payment amounted to Baht 162.50 million, and the minority shareholders' equity increased by Baht 19.36 million.

As at 31 December 2008, the Company and its subsidiaries had the shareholders' equity amounting to Baht 8,336.38 million, representing an increase by Baht 3,621.61 million or 76.81 percent, as compared to that of 31 December 2007, due to the fact that the Company issued and offered for sale ordinary shares, thereby rendering the net proceeds received amounting to Baht 2,854.78 million, the dividend payment amounting to Baht 598.50 million, and the Company and its subsidiaries had the net operating profit amounting to Baht 1,358.41 million.

As at 31 March 2009, the Company and its subsidiaries had the shareholders' equity amounting to Baht 8,645.03 million, representing an increase by Baht 308.65 million or 3.70 percent, as compared to that of 31 December 2008, due to the fact the Company and its subsidiaries had the net operating profit amounting to Baht 305.78 million.

**Analysis of Cash Flow**

**Cash Flow from Operating Activities**

In 2007, the Company and its subsidiaries had cash flow from operating activities amounting to Baht 983.82 million, representing an increase by Baht 243.57 million or 32.90 percent, as compared to that of 2006, due to the fact that the total distributed tap water increased, tap water charge rates increased from those of the previous year, and the cash flows from operating activities of Pathum Thani Water and BJT from July 2007 to December 2007 were included.

In 2008, the Company and its subsidiaries had cash flow from operating activities amounting to Baht 1,981.65 million, representing an increase by Baht 997.82 million or 101.42 percent, as compared to that of 2007, due to the fact that the total distributed tap water increased, tap water charge rates increased from those of the previous year, and the cash flows from operating activities of Pathum Thani Water and BJT for the entire year (12 months) were included.

In the first quarter of 2009, the Company and its subsidiaries had cash flow from operating activities amounting to Baht 396.31 million, representing an increase by Baht 35.90 million, as compared to that of

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the same period of the previous year, due to the fact that the tap water charge rates increased from those of the previous year.

**Cash Flow from (used in) Investing Activities**

In 2007, the Company and its subsidiaries had cash flow from investing activities amounting to Baht 4,383.92 million, due to the fact that during the year, the Company invested in ordinary shares in Pathum Thani Water amounting to Baht 3,859.38 million net, property and equipment increased by Baht 101.43 million, assets for tap water production of Pathum Thani Water increased by Baht 260.85 million, advance payment for construction increased by Baht 42.59 million, and current investments decreased by Baht 124.80 million. In 2006, most of the investment capital was used for investment in ordinary shares in WaterFlow amounting to Baht 660.54 million and deposit for land purchase amounting to Baht 15 million.

In 2008, the Company and its subsidiaries had cash flow from investing activities amounting to Baht 206.13 million, due to the fact that during the year, the assets for tap water production of Pathum Thani Water increased by Baht 114.41 million, property and equipment increased by Baht 67.03 million, and current investments decreased by Baht 445.36 million due to the Company's payment of dividend to shareholders.

In the first quarter of 2009, the Company and its subsidiaries had cash flow from investing activities amounting to Baht 123.98 million, due to the fact that during the quarter, the Company made advance payment for construction amounting to Baht 63 million and the restricted bank deposits decreased by Baht 50.13 million,

**Cash Flow from (used in) Financing Activities**

In 2007, the Company and its subsidiaries had cash flow from financing activities amounting to Baht 3,695.82 million, due to the fact that during the year, there were significant transactions as follows: 1) the Company borrowed the loans amounting to Baht 3,998.4 million for purchase of ordinary shares in Pathum Thani Water, 2) the Company repaid the long-term loan amounting to Baht 700 million, 3) the Company paid the dividend amounting to Baht 162.5 million, 4) the Company received cash from offering for sale of shares to employees amounting to Baht 48 million, and 5) Pathum Thani Water made a loan drawdown for water treatment plant construction amounting to Baht 700 million and repaid the long-term loan amounting to Baht 171.89 million.

In 2008, the Company and its subsidiaries had cash flow from financing activities amounting to Baht 2,113.98 million, due to the fact that during the year, there were significant transactions as follows: 1) the Company received cash from issuance of ordinary shares for capital increase amounting to Baht 2,854.77 million, 2) the Company repaid the short-term loan and long-term loan totaling Baht 4,451.2 million, 3) the Company paid the dividend amounting to Baht 598.5 million, and 4) Pathum Thani Water made a loan drawdown for water treatment plant construction amounting to Baht 83 million.

In the first quarter of 2009, the Company and its subsidiaries had net cash flow used in financing activities amounting to Baht 961.56 million, due to the fact that during the first quarter, the Company repaid the long-term loan amounting to Baht 6,022.95 million and the Company issued and offered for sale net debentures amounting to Baht 6,984.86 million.

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### **Key Financial Ratio**

#### **Current Ratio**

Current ratio of the Company and its subsidiaries as at 31 December 2007 decreased as compared to that of 31 December 2006, due to the fact that during 2007, the Company borrowed short-term loan from financial institutions amounting to Baht 3,000 million, with the interest rate of MLR-0.5 percent, thereby causing the Company to incur increased interest expenses since July 2007 onwards. However, during 2008, the Company and Pathum Thani Water had increased revenue from sales of tap water, and the Company repaid such short-term loans in full in May 2008, and in the first quarter of 2009, the Company issued and offered for sale the debentures with a term of 3, 5 and 7 years, totaling Baht 6,984.86 million, thereby rendering the current ratio of the Company in the first quarter of 2009 to gradually improve.

#### **Profitability Ratio**

The net profit margin of the Company and its subsidiaries in 2007 was less than that of 2006 since the Company was liable to interest expense burden of short-term loans and amortization of the right to produce and distribute tap water. However, upon the Company's and Pathum Thani Water's short-term loan and long-term loan repayments during 2007, together with an increase in tap water charge rates from the previous year and the total distributed tap water of the Company, the net profit margin as a whole recovered in 2008. However, in the first quarter of 2009, the net profit margin decreased as compared to that of 2008, due to the Company's prepayment of long-term loan, subject to a prepayment fee of Baht 116.7 million.

#### **Efficiency Ratio**

The rate of return on assets for 2007 was less than that for 2006 since the Company invested in ordinary shares in Pathum Thani Water during the mid-year 2007, and recognized the results of operations of Pathum Thani Water and BJT during the second half of 2007, thereby resulting in decrease of the rate of return on assets in 2007. However, the rate of return on assets for 2008 increased from 2007 since the Company included the results of operations of Pathum Thani Water for the entire year, thereby rendering the rate of return on assets to improve. However, in the first quarter of 2009, the rate of return on assets decreased as compared to that of 2008, due to the Company's prepayment of long-term loan, subject to a prepayment fee of Baht 116.7 million.

#### **Financial Policy Ratio**

As at 31 December 2007, the debt to equity ratio of the Company and its subsidiaries was higher than that of 31 December 2006 since during 2007, the Company borrowed the short-term loan from financial institutions amounting to Baht 3,000 million. However, in May 2008, the Company already repaid such short-term loan in full. Also, during the year, the Company and Pathum Thani Water made the long-term loan repayments amounting to Baht 979.51 million, thereby rendering the debt to equity ratio of the Company and its subsidiaries as at 31 December 2008 to decrease from that as at 31 December 2007.

As at 31 March 2009, the debt to equity ratio of the Company and its subsidiaries was higher than that of 31 December 2008 since the Company issued and offered for sale the debentures with a term of 3, 5 and 7 years and having the purpose to repay the long-term loans and use in the expansion of tap water production and distribution capacities. As a result of the issuance and offer for sale of such debentures, the Company was required

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to pay prepayment fee amounting to Baht 116.7 million, thereby rendering the Company's and its subsidiaries' debt to equity ratio to increase and the interest serviceability ratio to decrease.