

**Home Product Center Public Company Limited and its subsidiary**

**Notes to consolidated financial statements**

**For the three-month periods ended 31 March 2009**

**1. General information**

**1.1 Corporate information**

Home Product Center Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholders are Land and Houses Plc. and Quality Houses Plc., which were incorporated in Thailand. The Company is principally engaged in the trading of a complete range of materials for construction, repair and maintenance of buildings and residences, and provision for related services, together with space rental. Its registered address is 96/27 Moo 9, Tambol Bangkhen, Amphur Muang, Nonthaburi. As at 31 March 2009, the Company has a total of 35 branches (31 December 2008: 33 branches) located in Bangkok and other provinces.

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

These interim financial statements are prepared in accordance with Accounting Standard No. 41 (revised 2007) “Interim Financial Reporting”, 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 the used for the annual financial statements.

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

The interim financial statements in Thai language are the official statutory financial statements of the Company. The interim financial statements in English language have been translated from the Thai language financial statements.

### 1.3 Basis of consolidation

These consolidated financial statements include the financial statements of Home Product Center Public Company Limited and its subsidiary company and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2008. There has been no significant change in the composition of the group of companies during the current period.

### 1.4 Significant accounting policies

The interim financial statements have been prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2008.

### 1.5 Accounting standards which are effective for the current year

The Federation of Accounting Professions has also issued Notification No. 86/2551 mandating the use of the following new accounting standards.

TAS 36 (revised 2007)	Impairment of Assets
TAS 54 (revised 2007)	Non-current Assets Held for Sale and Discontinued Operations

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that they will not have any significant impact on the financial statements for the current year.

## 2. Trade accounts receivable

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	31 March 2009	31 December 2008	31 March 2009	31 December 2008
Trade accounts receivable	96,104	110,093	88,139	105,431
Check returned receivable	5,571	16,475	5,571	16,475
Credit card and coupon receivable	51,810	34,058	51,803	34,005
Total	153,485	160,626	145,513	155,911
Less: Allowance for doubtful accounts	(17,496)	(25,643)	(17,496)	(25,643)
Trade accounts receivable - net	<u>135,989</u>	<u>134,983</u>	<u>128,017</u>	<u>130,268</u>

(Unaudited but reviewed)

The outstanding balances of trade accounts receivable as at 31 March 2009 and 31 December 2008 are aged as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March	31 December	31 March	31 December
	2009	2008	2009	2008
<b>Age of receivables</b>				
Not yet due	133,324	127,422	130,346	125,319
Past due:				
Up to 6 months	14,269	16,665	9,275	14,053
6 - 12 months	-	14	-	14
Over 12 months	5,892	16,525	5,892	16,525
Total	153,485	160,626	145,513	155,911
Less: Allowance for doubtful accounts	(17,496)	(25,643)	(17,496)	(25,643)
Trade accounts receivable - net	<u>135,989</u>	<u>134,983</u>	<u>128,017</u>	<u>130,268</u>

### 3. Inventories

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	31 March	31 December
	2009	2008
Inventories	3,574,190	3,342,686
Less: Allowance for stock obsolescence	<u>(92,650)</u>	<u>(82,485)</u>
Net	3,481,540	3,260,201
Less: Inventories - repaid its cost when sold	(571,074)	(437,617)
Purchase discount	<u>(96,006)</u>	<u>(94,505)</u>
Inventories - net	<u>2,814,460</u>	<u>2,728,079</u>

#### 4. Investment in subsidiary

(Unit: Thousand Baht)

Subsidiary	Separate financial statements							
	Paid-up capital		Shareholding percentage		Cost		Dividend received during the period	
	31 March	31 December	31 March	31 December	31 March	31 December	31 March	31 December
	2009	2008	2009	2008	2009	2008	2009	2008
			(Percent)	(Percent)				
Market Village Company Limited	5,000	5,000	99.99	99.99	4,999	4,999	-	-

#### 5. Related party transactions

During the years, the Company and its subsidiary had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Thousand Baht)

	Consolidated		Separate		Pricing policy
	financial statements		financial statements		
	For the three-month		For the three-month		
	periods ended 31 March		periods ended 31 March		
	2009	2008	2009	2008	
<b>Transactions with subsidiary company</b>					
(eliminated from consolidated financial statements)					
Sale of goods	-	-	533	238	Market price
Rental and service income	-	-	33,975	28,533	Baht 11.1 - 11.7 million per month for 2009 (Baht 9.5 million per month for 2008)
Other income	-	-	5,853	5,677	Percentage of core revenue
Interest expenses	-	-	464	424	2.5% - 4.0% per annum (2008: 3.4% - 5.2% per annum)
<b>Transactions with related companies</b>					
Sale of goods	1,930	2,761	1,930	2,761	Market price
Interest income	708	-	708	-	2.0% - 2.8% percent per annum (2008: 0.5% per annum)
Purchase of goods	539	199	539	199	Market price
Rental and service expenses	5,772	4,334	5,772	4,334	Percentage of sales

As at 31 March 2009 and 31 December 2008, the Company had the outstanding balances with related parties which had been included in the following accounts:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2009	2008	2009	2008
<b>Bill of exchanges and deposit with financial institution (included in cash and cash equivalents)</b>				
Land and Houses Retail Bank Plc. <sup>(1)</sup>	722,060	435,140	722,060	435,140
<b>Trade accounts receivable</b>				
Land and Houses Plc. and subsidiaries <sup>(2)</sup>	1,893	2,261	1,893	2,261
Quality Houses Plc. and subsidiaries <sup>(2)</sup>	82	67	82	67
Market Village Co., Ltd. (eliminated from consolidated financial statements)	-	-	304	178
<b>Total</b>	<u>1,975</u>	<u>2,328</u>	<u>2,279</u>	<u>2,506</u>
<b>Other receivables</b>				
Quality Construction Products Plc. and subsidiaries <sup>(1)</sup>	3	6	3	6
Market Village Co., Ltd. (eliminated from consolidated financial statements)	-	-	11,552	6,928
	<u>3</u>	<u>6</u>	<u>11,555</u>	<u>6,934</u>
<b>Rental guarantee deposits</b>				
Quality Houses Property and Loans Funds <sup>(1)</sup>	3,000	3,000	3,000	3,000
<b>Trade accounts payable</b>				
Quality Construction Products Plc. and subsidiaries <sup>(1)</sup>	249	2,264	249	2,264
<b>Short-term loans from related party</b>				
Market Village Co., Ltd. (eliminated from consolidated financial statements)	-	-	60,000	60,000
<b>Other payables</b>				
Quality Houses Property and Loans Funds <sup>(1)</sup>	1,308	1,307	1,308	1,307

Relationship with the related companies

(1) Has common shareholders

(2) The major shareholders

During the three-month period ended 31 March 2009, there were no movements in the balances of loans from related party.

### Short-term loans from related party

The Company has received unsecured loans of Baht 60 million (31 December 2008: Baht 60 million) from subsidiary company, on which interest is payable on a monthly basis at a rate of 2.50% - 4.00% per annum (31 December 2008: 3.40% - 4.25% per annum). The loans are repayable at call.

## 6. Property, plant and equipment

Movements of property, plant and equipment account during the three-month period ended 31 March 2009 are summarized below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
<b>Cost</b>		
Balance as at 31 December 2008	11,163,485	11,143,246
Acquisitions during the period	406,492	405,866
Disposals during the period	(5,694)	(5,677)
Balance as at 31 March 2009	<u>11,564,283</u>	<u>11,543,435</u>
<b>Accumulated depreciation</b>		
Balance as at 31 December 2008	2,486,774	2,477,292
Depreciation for the period	179,185	178,186
Depreciation on disposals	(4,158)	(4,149)
Balance as at 31 March 2009	<u>2,661,801</u>	<u>2,651,329</u>
<b>Allowance for impairment</b>		
Balance as at 31 December 2008	<u>63,540</u>	<u>63,540</u>
Balance as at 31 March 2009	<u>63,540</u>	<u>63,540</u>
<b>Net book value</b>		
Balance as at 31 December 2008	<u>8,613,171</u>	<u>8,602,414</u>
Balance as at 31 March 2009	<u>8,838,942</u>	<u>8,828,566</u>

The Company has mortgaged buildings and leasehold rights with net book values as at 31 March 2009 totaling Baht 582.1 million (31 December 2008: Baht 576.5 million) to secure credit facilities from banks, as described in Notes 9 and 12.

**7. Computer software**

Movements in the balance of computer software during the three-month period ended 31 March 2009 are summarized below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
<b>Cost</b>		
Balance as at 31 December 2008	210,806	210,797
Acquisitions during the period	2,316	2,316
Balance as at 31 March 2009	213,122	213,113
<b>Accumulated depreciation</b>		
Balance as at 31 December 2008	80,644	80,641
Depreciation for the period	4,465	4,465
Balance as at 31 March 2009	85,109	85,106
<b>Allowance for impairment</b>		
Increase during the period	2,000	2,000
Balance as at 31 March 2009	2,000	2,000
<b>Net book value</b>		
Balance as at 31 December 2008	130,162	130,156
Balance as at 31 March 2009	126,013	126,007

**8. Leasehold rights**

(Unit: Thousand Baht)

	Consolidated and separate financial statements
<b>Cost</b>	
Balance as at 31 December 2008	861,451
Balance as at 31 March 2009	861,451
<b>Accumulated amortisation</b>	
Balance as at 31 December 2008	138,487
Amortisation for the period	7,028
Balance as at 31 March 2009	145,515

(Unaudited but reviewed)

(Unit: Thousand Baht)  
Consolidated and  
separate financial  
statements

**Net book value**

Balance as at 31 December 2008	722,964
Balance as at 31 March 2009	715,936

**9. Bank overdrafts and short-term loans from financial institutions**

(Unit: Thousand Baht)  
Consolidated and  
separate financial statements

	Interest rate (percent per annum)	31 March	31 December
		2009	2008
Short-term loans from financial institutions	3.07 - 4.00	295,611	124,824

As at 31 March 2009, the Company had short-term loans from financial institutions in the form of bill of exchanges (31 December 2008: in the form of promissory notes). The loans carry interest at rates of 3.07% - 3.15% per annum (31 December 2008: 4.00% per annum) and are not secured. The loans are repayable at call.

As at 31 March 2009 and 31 December 2008, the Company had overdraft lines from banks totaling Baht 130 million, and other credit facilities amounting to Baht 4,548.9 million and Baht 4,677 million, respectively, some of which are secured by leasehold rights and construction (Notes 6 and 8).

**10. Liabilities under finance lease agreements**

(Unit: Thousand Baht)

	Consolidated and separate financial statements			
	Portion due within one year		Portion due over one year	
	31 March 2009	31 December 2008	31 March 2009	31 December 2008
Liabilities under finance lease agreements	8,333	9,951	7,699	5,847
Less: Deferred interest expenses	(677)	(655)	(583)	(377)
Net	7,656	9,296	7,116	5,470



(Unaudited but reviewed)

The Company has entered into the finance lease agreements with leasing companies for rental of motor vehicles and equipment for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally between 3 to 5 years.

As at 31 March 2009, Future minimum lease payments required under the finance lease agreements were as follows:

	(Unit: Million Baht)		
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	8.33	7.70	16.03
Deferred interest expenses	<u>(0.68)</u>	<u>(0.58)</u>	<u>(1.26)</u>
Present value of future minimum lease payments	<u>7.65</u>	<u>7.12</u>	<u>14.77</u>

## 11. Debentures

	Consolidated and separate financial statements			
	Number of debentures (Unit)		Amount (Thousand Baht)	
	31 March	31 December	31 March	31 December
	2009	2008	2009	2008
Unsecured Debentures # 1/2005				
Series 2	-	500,000	-	500,000
Unsecured Debentures				
#1/2008	500,000	500,000	380,000	420,000
#2/2008	630,000	630,000	630,000	630,000
Total	<u>1,130,000</u>	<u>1,630,000</u>	1,010,000	1,550,000
Less: Current portion			<u>(160,000)</u>	<u>(660,000)</u>
Debentures - net of current portion			<u>850,000</u>	<u>890,000</u>

Details of the Company's debentures are as follows:

1. The Unsubordinated and Unsecured Debentures of Home Product Center Plc. No. 1/2005 Series 2 Due 2009

Name of debentures	" The Unsubordinated and Unsecured Debentures of Home Product Center Plc. No. 1/2005 Series 2 Due 2009 "
Amounts	Baht 500 million
Term	4 years
Issue date	17 March 2005
Interest rate	5.40 percent per annum
Interest payment schedule	Quarterly in March, June, September and December
Principal repayment	On the redemption date of 17 March 2009
Covenants	Maintenance of debt to equity ratios and restrictions on dividend payment

The unsecured debentures of Baht 500 million matured on 17 March 2009; the Company has, therefore, already paid in full to the debentures holders.

2. The Principal paid by installment Debentures of Home Product Center Plc. No. 1/2008 Due 2011

Name of debentures	"The Principal paid by installment Debentures of Home Product Center Plc. No. 1/2008 Due 2011"
Amount	Baht 500 million
Term	3 years
Issue date	2 May 2008
Interest rate	4.00% per annum
Interest payment schedule	Quarterly in February, May, August and November
Principal repayment	12 quarterly payments totaling Baht 40 million each (the last of Baht 60 million), starting 2 August 2008 and with the last payment due on 2 May 2011
Covenants	Maintenance of debt to equity ratios

In February 2009, the Company repaid the principal of debenture amounting to Baht 40 million, as stipulated in the terms of repayment of the above debentures, to the debenture holders.

3. The Unsubordinated and Unsecured Debentures of Home Product Center Plc. No.2/2008 Due 2011.

Name of debentures	"The Unsubordinated and Unsecured Debentures of Home Product Center Plc. No. 2/2008 due 2011"
Amount	Baht 630 million
Term	3 years
Issue date	21 November 2008
Interest rate	5.50% per annum
Interest payment schedule	Quarterly in November, February, May and August
Principal repayment	On the redemption date of 21 November 2011
Covenants	Maintenance of debt to equity ratios and restrictions on dividend payment

## 12. Long-term loans

Details of the Company's long-term loans are as follows:

(Unit: Thousand Baht)

Consolidated and separate financial statements					
No.	Principal	Outstanding balances		Terms of payment (per month)	Interest Rate
		31 March 2009	31 December 2008		
1	1,500,000	900,000	975,000	Baht 25.00 million	*
2	100,000	200,000	-	Baht 15.52 million	**
	Total	1,100,000	975,000		
	Less: Current portion	(486,240)	(300,000)		
	Long-term loans - net of current portion	613,760	675,000		

\* : At 4.15% - 6.00% per annum and from 2010 onwards at MLR

\*\* : At MLR minus an agreed margin

- The Company has pledged assets and leasehold rights to secure the loans (Note 6).
- On 8 June 2007, the Company entered into a Baht 2,000 million loan agreement with a bank. The loans will be repaid in monthly installments of not less than Baht

33 million each, within 78 months, and are subject to interest at MLR minus an agreed margin. The loans are secured in the form of a negative pledge by some of the Company's real estate and leasehold rights.

On 28 July 2008, the Company and the bank jointly amended the loan agreement to decrease the facility from Baht 2,000 million to Baht 845 million. On 5 February 2009, the Company and the bank jointly amended certain conditions of use of loan facilities, including the term of repayment. The term of loan repayment had been changed from monthly payment in the amount of not less than Baht 33.00 million, within 61 months to monthly payment in the amount of not less than Baht 15.52 million, within 48 months. As at 31 March 2009, the Company has the unutilised portion of the facility amounting to Baht 545 million.

The Company has to comply with certain covenants stipulated in the loan agreement such as the maintenance of certain debt to equity ratio.

### 13. Share capital

On 9 April 2008, the Annual General Meeting of Shareholders approved a Baht 2,078,714 decrease in the Company's registered share capital, in respect of expiration of ESOP-W1 totaling 987,487 units.

#### Reconciliation of number of ordinary shares

(Unit: Shares)

	For the three-month periods ended 31 March	
	<u>2009</u>	<u>2008</u>
<b>Registered share capital</b>		
Number of ordinary shares at beginning of period	1,986,468,146	1,988,546,860
Number of ordinary shares at end of period	<u>1,986,468,146</u>	<u>1,988,546,860</u>
<b>Issued and paid-up share capital</b>		
Number of ordinary shares at beginning of period	1,933,610,600	1,924,920,422
Increase from the exercise of warrants	49,426	60,000
Number of ordinary shares at end of period	<u>1,933,660,026</u>	<u>1,924,980,422</u>

#### 14. Warrants

In February 2006, the Company proceeded with the second issue of warrants (ESOP-W2) to the employees, in accordance with the resolution of the Annual General Meeting of Shareholders for the year 2005. It issued a total of 7,000,000 warrants, and each warrant can be exercised to purchase 1 ordinary share at a price of Baht 1 each, with exercise dates in every three months.

In October 2006, the Company resolved to increase its share capital; and this affected the exercise of the second issues of warrants allotted to the employees of the Company (ESOP-W2), and each warrant can be exercised to purchase 1.800 ordinary shares at a price of Baht 1 each.

On 2 April 2007, the Company issued 15,000,000 warrants (ESOP-W3) to its employees in accordance with the resolution passed by the 2006 Annual General Meeting of Shareholders. Each warrant can be exercised to purchase one ordinary share at a price of Baht 1 each, with the exercise date in every three months and a terms of 3 years. The issue of ESOP-W3 has affected the exercise of ESOP-W2. One warrant of ESOP-W2 can be exercised to purchase 1.811 ordinary shares with a price of Baht 1 each.

On 23 May 2008, the Annual General Meeting of the Shareholders for the year 2007 approved the Company's issue of 50,000,000 warrants (ESOP-W4) to Company's and subsidiary's employees. Each warrant can be exercised to purchase one ordinary share and has a term of five years, with no more than 20% of the issued warrants to be exercised each year. The exercise price is calculated for discount at 20% of the 30-day average closing prices of the Company's shares, which equaled Baht 3.98 per share. The issue of ESOP-W4 has affected the exercise of ESOP-W2 and ESOP-W3 as follows:

- One warrant of ESOP-W2 can be exercised to purchase 1.823 ordinary shares at a price of Baht 1 each.
- One warrant of ESOP-W3 can be exercised to purchase 1.007 ordinary shares at a price of Baht 1 each.

The holders of the warrants have exercised their rights as summarized below.

Exercised date	Number of exercised warrants			Number of	Value of ordinary	Paid-up capital		Date of registration
	ESOP-W2	ESOP-W3	ESOP-W4	shares from	shares from	(Shares)	(Baht)	with the
	(Units)	(Units)	(Units)	exercise of	exercise of			Ministry of
				warrants	warrants			Commerce
				(Shares)	(Baht)			
Beginning balance								
1 January 2008	6,981,800	4,138,266	-	-	-	1,924,920,422	1,924,920,422	-
29 February 2008	-	60,000	-	60,000	60,000	1,924,980,422	1,924,980,422	12 March 2008
30 May 2008	-	4,679,142	3,482,200	8,194,003	8,194,003	1,933,174,425	1,933,174,425	12 June 2008
31 August 2008	-	111,845	246,100	358,722	358,722	1,933,533,147	1,933,533,147	11 September 2008
30 November 2008	-	76,915	-	77,453	77,453	1,933,610,600	1,933,610,600	9 December 2008
16 February 2009	9,700	-	-	17,682	17,682	1,933,628,282	1,933,628,282	25 February 2009
2 March 2009	-	29,750	1,786	31,744	31,744	1,933,660,026	1,933,660,026	10 March 2009
<b>Total</b>	<b>6,991,500</b>	<b>9,095,918</b>	<b>3,730,086</b>					
Number of issued								
warrants	7,000,000	15,000,000	50,000,000					
Number of exercised								
warrants	(6,991,500)	(9,095,918)	(3,730,086)					
Number of expired								
warrants	(8,500)	-	-					
Number of unexercised								
warrants	-	5,904,082	46,269,914					

## 15. Corporate income tax

Corporate income tax for the three-month periods ended 31 March 2008 and 2007, was calculated on the net income of the Company and subsidiary company after adding back certain expenses and provisions not yet allowed for tax purposes.

## 16. 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.

Diluted earnings per share is calculated by dividing net income for the period by the weighted average number of ordinary shares in issue during the period plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the period or on the date the potential ordinary shares were issued.

The following table sets forth the computation of basic and diluted earnings per share:

Consolidated financial statements						
For the three-month periods ended 31 March						
Net income (Thousand Baht)		Weighted average number of ordinary shares (Thousand shares)		Earnings per share (Baht)		
<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
<b>Basic earnings per share</b>						
Net income attributable to equity holders						
of the parent						
242,058	186,811	1,933,630	1,924,942	0.13	0.10	
Effect of dilutive potential ordinary shares						
-	-	4,340	8,663			
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders						
assuming the conversion of warrants to						
ordinary shares						
<u>242,058</u>	<u>186,811</u>	<u>1,937,970</u>	<u>1,933,605</u>	<u>0.12</u>	<u>0.10</u>	
Separate financial statements						
For the three-month periods ended 31 March						
Net income (Thousand Baht)		Weighted average number of ordinary shares (Thousand shares)		Earnings per share (Baht)		
<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
<b>Basic earnings per share</b>						
Net income attributable to equity holders						
of the parent						
243,199	184,443	1,933,630	1,924,942	0.13	0.10	
Effect of dilutive potential ordinary shares						
-	-	4,340	8,663			
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders						
assuming the conversion of warrants to						
ordinary shares						
<u>243,199</u>	<u>184,443</u>	<u>1,937,970</u>	<u>1,933,605</u>	<u>0.13</u>	<u>0.10</u>	

## 17. Financial information by segment

The majority of the operations of the Company and subsidiary involve the business segments of trading of a complete range of materials for construction, repair and maintenance of buildings and residences, and provision of related services, together with space rental (as having revenue and assets less than 10 percent of total revenue and total assets of all segments) and are carried on in a single geographic area, Thailand. As a result, all revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned trading industry and geographic area.

**18. Commitments and contingent liabilities**

18.1 As at 31 March 2009 and 31 December 2008, the Company has commitments totaling Baht 75.08 million and Baht 75.90 million, respectively, to a bank and four financial institutions in respect of guarantees provided for leasing, purchases of goods or hire of work, and as bonds with State Enterprise.

18.2 As at 31 March 2009, the Company has commitments under letters of credit opened with two commercial banks, amounting to USD 0.98 million (31 December 2008: USD 1.99 million).

**19. Commitments under long-term lease agreements****19.1 Long-term lease agreements - as lessee**

- a) The Company has entered into 10 land lease agreements. The terms of the agreements are generally between 26 to 30 years and they are non cancelable, except with the consent of the counterparties.

As at 31 March 2009, future minimum lease payments required under these operating leases contracts were as follows:

	<u>Million Baht</u>
Payable within:	
1 year	40.5
2 to 5 years	180.2
Thereafter	933.2
	<u>1,153.9</u>

- b) The Company has entered into 17 lease agreements to lease commercial space. The terms of the agreements are generally between 17 to 30 years and they are not cancelable, except with the consent of the counterparties.

As at 31 March 2009, future minimum lease payments required under these operating leases contracts were as follows:

	<u>Million Baht</u>
Payable within:	
1 year	80.9
2 to 5 years	346.3
Thereafter	1,400.5
	<u>1,827.7</u>



(Unaudited but reviewed)

## **19.2 Long-term lease agreements - as leaser**

The Company has entered into 7 agreements with two companies to lease and sub-lease parts of premises in 5 branches for periods of 29-30 years, with contract values amounting to Baht 640.49 million. The terms of the agreements are until 2033 - 2036. The Company recognizes this income systematically on a straight-line basis over the useful lives of the leaseholds.

The outstanding balance of rental received in advance as of 31 March 2009 was Baht 537.4 million (31 December 2008: Baht 542.8 million).

## **20. Financial instruments**

### **20.1 Financial risk management**

The Company's financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, other receivables, short-term loans, debentures and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

#### **Credit risk**

The Company is exposed to credit risk primarily with respect to trade accounts receivable and other receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts receivable and other receivables as stated in the balance sheet.

#### **Interest rate risk**

The Company's exposure to interest rate risk relates primarily to its deposits with financial institutions, short-term loans, debentures and long-term loans. However, since the Company's financial assets and some of its financial liabilities bear floating interest rates and some of financial liabilities bear fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

(Unaudited but reviewed)

Significant financial assets and liabilities as at 31 March 2009, classified by type of interest rate, are summarized in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

Consolidated financial statements							
Fixed interest rates							
Within 1 year	Over 1-5 years	Over 5 years	Floating interest rate	Non- interest bearing	Total	Interest rate	
(Thousand Baht)						(% p.a.)	
<b>Financial assets</b>							
Cash and cash equivalent	721,000	-	-	54,539	71,141	846,680	0.50 - 1.50
<b>Financial liabilities</b>							
Bank overdraft and short-term loans from financial institutions							
	295,611	-	-	-	-	295,611	3.07 - 3.15
Debentures	160,000	850,000	-	-	-	1,010,000	4.00 - 5.50
Long-term loans	300,000	600,000*	-	200,000	-	1,100,000	3.99 - 4.77
	755,611	1,450,000	-	200,000	-	2,405,611	

\* Long-term loans of Baht 550 million being installed during 2010 to 2012 with floating interest rate at MLR.

Separate financial statements							
Fixed interest rates							
Within 1 year	Over 1-5 years	Over 5 years	Floating interest rate	Non- interest bearing	Total	Interest rate	
(Thousand Baht)						(% p.a.)	
<b>Financial assets</b>							
Cash and cash equivalent	721,000	-	-	26,388	70,581	817,969	0.50 - 1.50
<b>Financial liabilities</b>							
Banks overdraft and short- term loans from financial institutions							
	295,611	-	-	-	-	295,611	3.07 - 3.15
Short-term loans from related party							
	60,000	-	-	-	-	60,000	2.50
Debentures	160,000	850,000	-	-	-	1,010,000	4.00 - 5.50
Long-term loans	300,000	600,000*	-	200,000	-	1,100,000	3.99 - 4.77
	815,611	1,450,000	-	200,000	-	2,465,611	

\* Long-term loans of Baht 550 million being installed during 2010 to 2012 with floating interest rate at MLR.

## Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company has not entered into forward exchange contracts to hedge this risk.

The balances of financial liabilities denominated in foreign currencies as at 31 March 2009 are summarised below.

<u>Foreign currency</u>	<u>Financial liabilities</u>	<u>Average exchange rate as at 31 March 2009</u>
	(Dollar)	(Baht per dollar)
USD	43,162	35.66

## 20.2 Fair values of financial instruments

Since some of the Company's financial assets and liabilities are short term in nature and loans bear interest at rates close to market rate or floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

## 21. Subsequent events

21.1 On 8 April 2009, the Annual General Meeting of the Company passed significant resolutions as follows:

- a) Approval for setting aside a statutory reserve and paying the annual dividend of 2008 to shareholders, at the rate of Baht 0.35 per share, for 1,933.6 million ordinary shares, amounting to Baht 676.8 million.
- b) Approval for cancellation of the allocation of ordinary shares which remain from the exercising of rights under the warrants allotted to employees of the Company (ESOP-W2) of 268,308 shares. Consequently, the Company relocated the 268,308 shares to be a part of the ordinary shares to support the adjustment of rights under the warrants allotted to employees of the Company (ESOP-W4).
- c) Approval for the increase in registered capital of Baht 14.7 million, from the previous registered capital of Baht 1,986.5 million to Baht 2,001.2 million by issuance of additional 14.7 million ordinary shares, at a par value of 1 Baht each, to support the exercising of the rights of the warrants allotted to employees of the Company (ESOP-W4).

d) Approval the cancellation of issuance of debentures that has not yet been offered at the amount of Baht 1,870 million, and the issuance and offering of debt instruments, details are as follows:-

1. The issuance and offering of bills of exchange and/or short-term debentures of which the maturity date shall not exceed 270 days from the date of issuance, in the amount of not exceeding Baht 2,000 million.
2. The issuance and offering of long-term debentures of which the maturity date shall not exceed 10 years from the date of issuance, in the amount of not exceeding Baht 4,000 million.

21.2 According to the Annual General Meeting of Shareholders, as discussed above, the Company will has to pay dividend at the rate of more than 55% of net profit after tax in 2008. As a result the Company needs to adjust the rights of the warrants allotted to employees of the Company (ESOP-W3 and ESOP-W4) in accordance with prospectus for the offering of warrants in respect of the condition to adjust the rights of warrants and the changes in prices.

	Exercise ratio (:1 unit of warrants)		Exercise price (Baht/share)	
	Existing	New	Existing	New
ESOP-W3	1.007	1.030	1.000	1.000
ESOP-W4	1.000	1.017	3.980	3.912

The adjusted exercise prices and exercise ratios of ESOP-W3 and ESOP-W4 shall become effective since 16 April 2009.

## 22. Approval of financial statements

These interim financial statements were authorized for issue by the authorized directors of the Company on 7 May 2009.