

HOME PRODUCT CENTER PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

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 trading of construction materials, construction equipment and tools, decoration equipment, instruments, and space rental. Its registered address is 96/27 Moo 9, Tambol Bangkhen, Amphur Muang, Nonthaburi. As at 31 December 2007, the Company has a total of 31 branches (2006: 26 branches) located in Bangkok and other provinces.

2. BASIS OF PREPARATION

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of the Company and the following subsidiary company:

Company's name	Nature of business	Percentage of shareholding		Country of incorporation	Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the years ended 31 December	
		2007	2006		2007	2006	2007	2006
		Percent	Percent		Percent	Percent	Percent	Percent
Market Village Company Limited	Space rental	99.99	99.99	Thailand	0.84	0.82	1.26	1.18

- b) Material balances and transactions between the Company and its subsidiary company have been eliminated from the consolidated financial statements.
- c) Investment in the subsidiary company as recorded in the Company's books of account is eliminated against the equity of the subsidiary company.

2.3 The separate financial statements, which present investment in subsidiary presented under the cost method, have been prepared solely for the benefit of the public.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The notifications mandate the use of the following new Accounting Standards.

a) Accounting Standards which are effective for the current year

TAS 44 (revised 2007)	Consolidated Financial Statements and Separate Financial Statements
TAS 45 (revised 2007)	Investments in Associates
TAS 46 (revised 2007)	Interests in Joint Ventures

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the fourth quarter of the year 2006, the Company changed its accounting policy for recording investment in subsidiary in the separate financial statements in order to comply with the revised Thai Accounting Standards No. 44 as discussed in Note 4.

b) Accounting Standards which are not effective for the current year

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors

TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these revised accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

4. CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENT IN SUBSIDIARY IN THE SEPARATE FINANCIAL STATEMENTS

During the fourth quarter of the year 2006, the Company changed its accounting policy for recording investment in subsidiary in the separate financial statements from the equity method to the cost method, in compliance with Accounting Standard No. 44 (Revised 2007) regarding “Consolidated Financial Statements and Separate Financial Statements”, under which investment in subsidiary is to be presented in the separate financial statements under the cost method.

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

5. PRIOR YEARS ADJUSTMENT

During the year 2007, the Company found that purchase discount of the prior years had been over recorded to the income statement, so the Company has restated the separate financial statements for the year ended 31 December 2006. The effect of the adjustment to the income statements for the year ended 31 December 2006, is to decrease net income by Baht 8.1 million (Baht 0.01 per share). The cumulative effect of the adjustment has been presented under the heading of “Cumulative effect of previous years error adjustment for recording of purchase discount” in the statements of changes in shareholders’ equity.

6. SIGNIFICANT ACCOUNTING POLICIES

6.1 Revenue recognition

Sales of goods

Sales of goods are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Rendering of services

Service revenue is recognised when services have been rendered taking into account the stage of completion.

Rental income

Rental income under operating leases is recognized over the lease period.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

6.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at bank, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

6.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debtor aging.

6.4 Inventories

Inventories are valued at the lower of cost (moving average cost method) and net realizable value.

6.5 Investment

Investment in subsidiary company are accounted for in the separated financial statements using the cost method.

6.6 Property, plant and equipment/Depreciation

Land is stated at cost. Buildings and equipment are stated at cost amount less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs, on the straight-line basis over the following estimated useful lives:

Buildings	-	20	years
Buildings on lease land and building improvement	-	lease periods but not over	useful lives
Computer equipment	-	3 - 10	years
Furniture, fixtures and office equipment	-	5 - 10	years
Motor vehicles	-	5	years

Depreciation is included in determining income.

No depreciation is provided on land and land improvement, and assets under installation and under construction.

6.7 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortization and allowance for loss on impairment of assets (if any). Amortisation is calculated by reference to cost on a straight-line basis over the expected future period, for which the assets are expected to generate economic benefit, as follows: -

Leasehold rights	-	Lease periods
Software	-	10 years

The amortisation is included in determining income.

6.8 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

6.9 Long-term leases

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. The property, plant or equipment acquired under finance leases is depreciated over the useful life of the asset.

6.10 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

6.11 Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

6.12 Employee benefits

Salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

6.13 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

6.14 Income tax

Income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation.

6.15 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

7. TRADE ACCOUNTS RECEIVABLE

(Unit: Baht)

	Consolidated financial		Separate financial statements	
	statements			
	2007	2006	2007	2006
Trade accounts receivable	98,643,757	102,549,007	91,595,574	97,163,533
Check returned receivable	17,593,572	21,806,121	17,593,572	21,806,121
Credit card and coupon receivable	48,129,935	37,732,970	48,129,935	37,720,959
Total	164,367,264	162,088,098	157,319,081	156,690,613
Less: Allowance for doubtful accounts	(20,785,511)	(25,241,013)	(20,785,511)	(25,241,013)
Trade accounts receivable - net	143,581,753	136,847,085	136,533,570	131,449,600

The outstanding balances of trade accounts receivable as at 31 December 2007 and 2006 are aged as follows:

(Unit: Baht)

	Consolidated financial		Separate financial statements	
	statements			
	2007	2006	2007	2006
<u>Age of receivables</u>				
Not yet due	129,111,298	109,933,125	122,589,168	107,398,944
Past due:				
Upto 6 months	17,488,329	29,852,490	16,962,275	26,989,185
6 - 12 months	-	34,979	-	34,979
Over 12 months	17,767,637	22,267,504	17,767,638	22,267,505
Total	164,367,264	162,088,098	157,319,081	156,690,613
Less: Allowance for doubtful accounts	(20,785,511)	(25,241,013)	(20,785,511)	(25,241,013)
Trade accounts receivable - net	143,581,753	136,847,085	136,533,570	131,449,600

8. INVENTORIES

(Unit: Baht)

	Consolidated and	
	separate financial statements	
	2007	2006
Inventories	3,049,137,812	2,923,795,553
Less: Allowance for stock obsolescence	(61,590,238)	(62,412,955)
Net	2,987,547,574	2,861,382,598
Less: Inventories - repaid its cost when sold	(354,273,297)	(286,599,091)
Purchase discount	(85,705,401)	(79,105,401)
Inventories - net	2,547,568,876	2,495,678,106

9. INVESTMENT IN SUBSIDIARY

(Unit: Baht)

	Separate financial statements								Dividend received	
	Paid-up capital		Shareholding percentage		Cost		Equity method		for the years ended	
	2007	2006	2007	2006	2007	2006	2007	2006	31 December	
			(Percent)	(Percent)					2007	2006
Subsidiary										
Market Village										
Company Limited	5,000,000	5,000,000	99.99	99.99	4,999,300	4,999,300	10,972,447	5,372,824	-	-

10. RELATED PARTY TRANSACTIONS

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

(Unit: Baht)

	Consolidated		Separate		Pricing policy
	financial statements		financial statements		
	2007	2006	2007	2006	
Transactions with subsidiary company					
(eliminated from consolidated financial statements)					
Sale of goods	-	-	619,057	2,709,075	Market price
Rental and service income	-	-	106,898,02	62,185,670	Baht 6.5 - 9.4 million per month for 2007 and Baht 6.5 million per month for 2006
Other income	-	-	25,575,445	17,562,409	Percentage of core revenue
Service expenses	-	-	-	4,360,000	Actual cost
Interest expenses	-	-	2,301,329	1,109,527	3.4 - 5.15 percent per annum
Transactions with related companies					
Sale of goods	11,994,808	55,453,645	11,994,808	55,453,645	Market price
Interest income	269,551	3,224,143	269,551	3,224,143	0.5 percent per annum
Purchase of goods	1,422,527	5,473,444	1,422,527	5,473,444	Market price
Rental and service expenses	16,747,295	18,465,148	16,747,295	18,465,148	Percentage of sales

As at 31 December 2007 and 2006, the Company had the following outstanding balances with related parties: -

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
<u>Deposit with financial institution</u>				
Land and Houses Retail Bank Plc.	133,705	151,385	113,705	151,385
<u>Trade accounts receivable</u>				
Land and Houses Plc. and subsidiaries	1,708,202	3,451,808	1,708,202	3,451,808
Quality Houses Plc. and subsidiaries	335,594	5,126,560	335,594	5,126,560
Market Village Co., Ltd.				
(eliminated from consolidated financial statements)	-	-	131,821	84,018
Total	2,043,796	8,578,368	2,175,617	8,662,386
<u>Other receivable</u>				
Quality Houses Property and Loans Funds	3,000,000	3,000,000	3,000,000	3,000,000
Quality Construction Products Plc. and subsidiaries	3,210	-	3,210	-
Market Village Co., Ltd.				
(eliminated from consolidated financial statements)	-	-	6,025,498	5,238,099
	3,003,210	3,000,000	9,028,708	8,238,099
<u>Other current asset - accrued income</u>				
Land and Houses Retail Bank Plc.	-	418,150	-	418,150
<u>Trade accounts payable</u>				
Quality Construction Products Plc. and subsidiaries	20,801	530,301	20,801	530,301
<u>Other payables</u>				
Quality Houses Property and Loans Funds	1,660,870	1,716,752	1,660,870	1,716,752
<u>Short-term loans from related party</u>				
Market Village Co., Ltd.				
(eliminated from consolidated financial statements)	-	-	50,000,000	40,000,000

During the year 2007, movements in the balances of loans from related party were as follows:

(Unit: Baht)

	Separate financial statements				
	31 December		Transfer	31 December	
	<u>2006</u>	<u>Increase</u>			
<u>Short-term loans from related party</u>					
Market Village Co., Ltd.	<u>40,000,000</u>	<u>45,000,000</u>	<u>(35,000,000)</u>	<u>-</u>	<u>50,000,000</u>

Short-term loans from related party

The Company has received unsecured loans of Baht 50 million (2006: Baht 40 million) from subsidiary company, on which interest is payable on a monthly basis at a rate of 3.4 percent per annum. The loans are repayable at call.

Directors and management's remuneration

During the year 2007, the Company and its subsidiary paid salaries, meeting allowance and gratuities to their directors and management totaling Baht 10.77 million (2006: Baht 9.49 million).

In addition, during the year 2007 the Company has allocated 1,879,500 warrants to the directors who are the management of the Company and subsidiary without charge. The details of the warrants are presented in Note 18 to the financial statements.

11. PROPERTY, PLANT AND EQUIPMENT

(Unit: Baht)

	Consolidated						Total
	Land and land improvement	Buildings and building improvement	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	
Cost:							
As at 31 December 2006	1,861,576,631	4,976,869,489	219,497,963	1,292,689,783	24,643,990	299,593,648	8,674,871,504
Additions	336,819,601	575,969,165	21,761,232	289,070,583	5,739,295	345,776,732	1,575,136,608
Disposals	-	(6,792,571)	(17,194,018)	(18,312,273)	-	-	(42,298,862)
Transfers in (out)	27,918,766	517,306,442	22,544,125	24,146,364	-	(591,915,697)	-
As at 31 December 2007	<u>2,226,314,998</u>	<u>6,063,352,525</u>	<u>246,609,302</u>	<u>1,587,594,457</u>	<u>30,383,285</u>	<u>53,454,683</u>	<u>10,207,709,250</u>

(Unit: Baht)

Consolidated

	Land and land improvement	Buildings and building improvement	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
Accumulated depreciation:							
As at 31 December 2006	-	562,521,357	136,843,163	527,911,957	10,214,186	-	1,237,490,663
Depreciation for the year	-	302,350,771	56,086,510	252,661,445	5,517,969	-	616,616,695
Depreciation on disposals	-	(1,313,091)	(15,055,027)	(12,611,880)	-	-	(28,979,998)
As at 31 December 2007	-	863,559,037	177,874,646	767,961,522	15,732,155	-	1,825,127,360
Allowance for impairment loss:							
As at 31 December 2006	-	-	-	-	-	-	-
Increase during the year	13,000,000	30,000,000	-	-	-	-	43,000,000
As at 31 December 2007	13,000,000	30,000,000	-	-	-	-	43,000,000
Net book value:							
31 December 2006	1,861,576,631	4,414,348,132	82,654,800	764,777,826	14,429,804	299,593,648	7,437,380,841
31 December 2007	2,213,314,998	5,169,793,488	68,734,656	819,632,935	14,651,130	53,454,683	8,339,581,890
Depreciation for the year: (as included in administrative expenses)							
2006							461,512,270
2007							616,616,695

(Unit: Baht)

Separate financial statements

	Land and land improvement	Buildings and building improvement	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
Cost:							
As at 31 December 2006	1,861,576,631	4,976,869,489	219,403,538	1,278,103,152	24,084,884	299,593,648	8,659,631,342
Additions	336,819,601	575,323,448	21,694,234	288,188,465	5,701,355	343,435,297	1,571,162,400
Disposals	-	(6,792,571)	(17,194,018)	(18,306,081)	-	-	(42,292,670)
Transfers in (out)	27,918,766	517,306,442	22,544,125	24,061,364	-	(591,830,697)	-
As at 31 December 2007	2,226,314,998	6,062,706,808	246,447,879	1,572,046,900	29,786,239	51,198,248	10,188,501,072
Accumulated depreciation:							
As at 31 December 2006	-	562,521,357	136,826,658	525,565,288	10,101,824	-	1,235,015,127
Depreciation for the year	-	302,324,183	56,060,019	249,677,760	5,401,491	-	613,463,453
Depreciation on disposals	-	(1,313,091)	(15,055,027)	(12,610,191)	-	-	(28,978,309)
As at 31 December 2006	-	863,532,449	177,831,650	762,632,857	15,503,315	-	1,819,500,271
Allowance for impairment loss:							
As at 31 December 2006	-	-	-	-	-	-	-
Increase during the year	13,000,000	30,000,000	-	-	-	-	43,000,000
As at 31 December 2007	13,000,000	30,000,000	-	-	-	-	43,000,000

(Unit: Baht)

	Separate financial statements						Total
	Land and land improvement	Buildings and building improvement	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	
Net book value:							
31 December 2006	1,861,576,631	4,414,348,132	82,576,880	752,537,864	13,983,060	299,593,648	7,424,616,215
31 December 2007	2,213,314,998	5,169,174,359	68,616,229	809,414,043	14,282,924	51,198,248	8,326,000,801
Depreciation for the year: (as included in administrative expenses)							
2006							459,041,655
2007							613,463,453

As at 31 December 2007, certain plant and equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 197.48 million (2006: Baht 84.38 million) (The Company only: Baht 197.48 million, 2006: Baht 84.38 million).

As at 31 December 2007, the Company has mortgaged buildings and leasehold rights net book value of Baht 603.6 million (Note 12) (2006: all land, buildings and leasehold rights (Note 12) including construction thereon and part of its furniture, fixtures and equipment) to secure credit facilities from banks, as described in Notes 13 and 16.

12. LEASEHOLD RIGHTS AND SOFTWARE

(Unit: Baht)

	Consolidated		Separate	
	Leasehold rights	Software	Leasehold rights	Software
Cost				
Balance as at 31 December 2006	622,419,311	160,903,180	622,419,311	160,893,724
Acquisitions during the year	2,506,000	27,269,454	2,506,000	27,269,454
Written-off during the year	-	(8,514,060)	-	(8,514,060)
Balance as at 31 December 2007	624,925,311	179,658,574	624,925,311	179,649,118
Accumulated depreciation				
Balance as at 31 December 2006	88,555,748	48,772,949	88,555,748	48,772,060
Depreciation for the year	22,929,919	17,539,108	22,929,919	17,538,162

Depreciation for written-off	-	(2,798,076)	-	(2,798,076)
Balance as at 31 December	<u>111,485,667</u>	<u>63,513,981</u>	<u>111,485,667</u>	<u>63,512,146</u>
2007				

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	Leasehold	Software	Leasehold	Software
	rights		rights	
Net book value				
Balance as at 31 December 2006	<u>533,863,563</u>	<u>112,130,231</u>	<u>533,863,563</u>	<u>112,121,664</u>
Balance as at 31 December 2007	<u>513,439,644</u>	<u>116,144,593</u>	<u>513,439,644</u>	<u>116,136,972</u>

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

(Unit: Baht)

	Interest rate (percent per annum)	Consolidated and separate financial statements	
		2007	2006
Short-term loans from financial institutions	3.55	<u>555,000,000</u>	<u>-</u>

As at 31 December 2007, the Company had short-term loans in the form of promissory notes totalling Baht 555 million from two financial institutions. The loans carry interest at rates of 3.55 percent per annum and are not secured. The loans are repayable at call.

As at 31 December 2007 and 2006, the Company had overdraft lines from banks totaling Baht 105 million and Baht 95 million, respectively, some of which are secured by leasehold rights and construction (Notes 11 and 12).

14. LIABILITIES UNDER FINANCIAL LEASE AGREEMENTS

(Unit: Baht)

	Consolidated and separate financial statements			
	Portion due		Portion due	
	within one year		over one year	
	2007	2006	2007	2006
Liabilities under financial lease agreements	14,109,140	20,544,989	10,800,138	15,830,414
Less: Deferred interest expense	(1,173,517)	(1,496,479)	(510,975)	(762,153)
Net	<u>12,935,623</u>	<u>19,048,510</u>	<u>10,289,163</u>	<u>15,068,261</u>

15. DEBENTURES

Debentures of the Company consist of:

	Consolidated and separate financial statements			
	Number of debentures (Unit)		Amount (Baht)	
	2007	2006	2007	2006
Unsecured Debentures # 1/2548				
Series 1	500,000	500,000	500,000,000	500,000,000
Series 2	<u>500,000</u>	<u>500,000</u>	<u>500,000,000</u>	<u>500,000,000</u>
Total	<u>1,000,000</u>	<u>1,000,000</u>	1,000,000,000	1,000,000,000
Less: Current portion			<u>(500,000,000)</u>	<u>-</u>
Net			<u>500,000,000</u>	<u>1,000,000,000</u>

At the Extraordinary Meeting of shareholders No. 1/2003 held on 27 June 2003, the shareholders passed a resolution approving the Company's issue debentures in an amount of not more than Baht 2,000 million, or the equivalent in foreign currency, to be offered to the public or individuals or institutional investors in one or several tranches. On 17 March 2005, the Company issued Baht 1,000 million of debentures as detailed below.

Name of debentures	" The Unsubordinated and Unsecured Debentures of Home Product Center Plc. No. 1/2005 Series 1 Due 2008 "	" The Unsubordinated and Unsecured Debentures of Home Product Center Plc. No. 1/2005 Series 2 Due 2009 "
Amounts	Baht 500 million	Baht 500 million
Term	3 years	4 years
Issue date	17 March 2005	17 March 2005
Interest rate	5.00 percent per annum	5.40 percent per annum
Interest payment schedule	Quarterly in March, June, September and December	Quarterly in March, June, September and December
Principal repayment	On the redemption date of 17 March 2008	On the redemption date of 17 March 2009
Covenants	Maintenance of debt to equity ratios and restrictions on dividend payment	Maintenance of debt to equity ratios and restrictions on dividend payment

On 4 April 2007, the Annual General Meeting of Shareholders for the year 2007 approved the Company's issue of debentures in an amount of not more than Baht 2,000 million, or the equivalent in another currency. The debentures must have a tenor of no less than 3 years and no more than 10 years. As a result the Company may issue upto Baht 3,000 million of debentures.

16. LONG-TERM LOANS

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

(Unit: Baht)

Consolidated and separate financial statements					
No.	Principal	Outstanding balances		Terms of payment (per installment/month)	Interest Rate
		2007	2006		
1	1,000,000,000	-	626,000,000	Baht 17 million	*
2	1,500,000,000	1,275,000,000	1,500,000,000	Baht 25 million	**
3	100,000,000	100,000,000	-	Baht 33 million	***
	Total	1,375,000,000	2,126,000,000		
	Less: Current portion	(400,000,000)	(429,000,000)		

Long-term loans - net	<u>975,000,000</u>	<u>1,697,000,000</u>
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The Company has pledged real estate and leasehold rights to secure the loans (Note 11). The Company has to comply with certain covenants stipulated in the loan agreement such as the maintenance of certain debt to equity ratio and restrictions on payment of dividends in excess of the rate indicated in the agreement.

* : At 2.95 - 3.65 percent per annum, and since February 2006 at MLR minus an agreed margin

** : At 4.15 - 6 percent per annum and from 2009 onwards at MLR

***: At MLR minus an agreed margin

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. As at 31 December 2007, the Company has drawdown of Baht 100 million from this loan facility, and the Company has long-term credit facilities which have not yet been drawdown amounted to Baht 1,900 million.

17. SHARE CAPITAL

17.1 According to the minutes of the 2006 Annual General Meeting of the shareholders held on 4 April 2006, resolutions were passed approving the following:

17.1.1 The cancellation of the unpaid portion of the ordinary shares (including the 25,406,359 shares of Baht 1 each remaining after the exercise of the warrants by existing shareholders in accordance with the resolution of the 2005 Annual General Meeting to offer shares by way of private placement) and approved the following new allotment of shares:

- 1) 15,000,000 shares to be reserved for the exercise of the warrants to be allocated to employees of the Company (ESOP-W3).
- 2) 250,000 shares to be reserved for the exercise of issue 1/2005 of warrants to be allocated to employees of the Company (ESOP-W2), for which the exercise rights are to be adjusted.

If any shares remain after the above allocation of shares, as a result of warrants not being issued or exercised, the Board of Directors is to propose an allocation to a meeting of the shareholders for consideration.

3) The allocation of 10,156,359 share is to be cancelled.

- 17.1.2 The issue of 15,000,000 ordinary share warrants to employees of the Company (ESOP-W3), with a term of 3 years, with not more than 30, 35 and 35 percent of the warrants exercisable in years 1, 2 and 3, respectively.
- 17.1.3 Reduction of capital, by cancelling of the 10,156,359 shares of Baht 1 each remaining unallocated from the offer of shares by way of private placement discussed in Note 17.1.1 above, from Baht 987,500,000 to Baht 977,343,641, divided into 977,343,641 ordinary shares at par value of Baht 1 each. In addition, the clause 4 of the Memorandum of Association was amended to reflect the reduction in capital.
- 17.2 According to the minutes of Extraordinary Meeting No. 1/2006 of the Shareholders held on 31 October 2006, the Company passed a resolution to increase its share capital from Baht 977,343,641 to Baht 1,938,146,860 by issuing 960,803,219 ordinary shares of Baht 1 each. The Company has approved the following allocation of the additional ordinary shares:
- 17.2.1 954,638,219 ordinary shares to be offered to the existing shareholders.
- 17.2.2 6,100,000 ordinary shares to be reserved to support the exercise of issue No.1/2004 of warrants to be allocated to employees of the Company (ESOP-W1).
- 17.2.3 65,000 ordinary shares to be reserved to support the exercise of issue No. 1/2005 of warrants to be allocated to employees of the Company (ESOP-W2)
- The Company has amended clause four of the memorandum of association in order to reflect the increase in share capital.
- 17.3 On 4 April 2007, the Annual General Meeting of Shareholders approved a Baht 50,400,000 increase in the Company's registered share capital, from Baht 1,938,146,860 to Baht 1,988,546,860, through an issue of ordinary shares of Baht 1 each; and the Company's amendment of clause 4 of its memorandum of association.

Reconciliation of number of ordinary shares

	(Unit: Shares)	
	For the years ended	
	31 December	
	<u>2007</u>	<u>2006</u>
<u>Registered share capital</u>		
Number of ordinary shares at beginning of year	1,938,146,860	987,500,000
Decrease in registered share capital remained from allotment	-	(10,156,359)
Capital increment	-	960,803,219
Increase in registered share capital due to issuing ESOP-W4	50,400,000	-
Number of ordinary shares at end of year	<u>1,988,546,860</u>	<u>1,938,146,860</u>
<u>Issued and paid-up share capital</u>		
Number of ordinary shares at beginning of year	1,919,818,404	947,310,416
Capital increment	-	954,638,219
Increase from the exercise of ESOP-W1, ESOP-W2 and ESOP-W3	5,102,018	17,869,769
Number of ordinary shares at end of year	<u>1,924,920,422</u>	<u>1,919,818,404</u>

18. WARRANTS

In September 2004, the Company proceeded with the first issue of warrants to (ESOP-W1) the employees in accordance with a resolution of the Annual General Meeting of Shareholders for the year 2004. It issued a total of 15,000,000 warrants, and one warrant can be exercised to purchase 1 ordinary share at a price of Baht 1 each, with exercise dates every three months

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 every three months.

As a result of the Company's allotment of 7,000,000 ordinary share warrants to employees (ESOP-W2), the exercise ratio of the first issue of warrants to purchase ordinary shares to employees (ESOP-W1) was adjusted such that 1 warrant can be exercised to purchase 1.006 ordinary shares at a price of Baht 1 per share, effective from 28 February 2006 onwards.

In October 2006, the Company resolved to increase its share capital and this affected the exercise of the first and second issues of warrants allotted to the employees of the Company (ESOP-W1 and W2) as follows:

- One warrant of the first issue of warrants allotted to employees of the Company (ESOP-W1) can be exercised to purchase 1.811 ordinary shares at a price of Baht 1 per share.
- One warrant of the second issue of warrants allotted to employees of the Company (ESOP-W2) has can be exercised to purchase 1.800 ordinary shares at a price of Baht 1 per share.

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, and the exercise dates are every three months. The issue of ESOP-W3 has effected the exercise of ESOP-W1 and ESOP-W2 as follows: -

- One warrant of the first issue of warrants allotted to employees of the Company (ESOP-W1) can be exercised to purchase 1.822 ordinary shares at a price of Baht 1 per share.
- One warrant of the second issue of warrants allotted to employees of the Company (ESOP-W2) has can be exercised to purchase 1.811 ordinary shares at a price of Baht 1 per share.

On 4 April 2007, the Annual General Meeting of the Shareholders for the year 2007 approved the Company's issue of 50,000,000 warrants (ESOP-W4) to its employees. Each warrant can be exercised to purchase one ordinary share, and has a term of five years, with no more than 20 percent of the issued warrants to be exercised each year. The exercise price is calculated at a 20 percent discount on the 30-day average closing price of the Company's shares.

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

Exercised date	Number of exercised warrants			Number of shares from exercise of warrants (Shares)	Value of ordinary shares from exercise of warrants (Baht)	Paid-up capital		Date of registration with the Ministry of Commerce
	ESOP-W1 (Units)	ESOP-W2 (Units)	ESOP-W3 (Units)			(Shares)	(Baht)	
Beginning balance								
1 January 2006	7,316,775	-	-	-	-	947,310,416	947,310,416	-
28 February 2006	393,917	6,379,800	-	6,776,074	6,776,074	954,086,490	954,086,490	6 March 2006
31 May 2006	8,280	431,900	-	440,229	440,229	954,526,719	954,526,719	8 June 2006
31 August 2006	-	111,500	-	111,500	111,500	954,638,219	954,638,219	8 September 2006
30 November 2006	5,792,717	28,600	-	10,541,966	10,541,966	965,180,185	965,180,185	14 December 2006
28 February 2007	279,396	-	-	505,982	505,982	1,920,324,386	1,920,324,386	7 March 2007
30 May 2007	182,528	30,000	3,872,816	4,259,711	4,259,711	1,924,584,097	1,924,584,097	11 June 2007
31 August 2007	38,900	-	237,550	308,425	308,425	1,924,892,522	1,924,892,522	12 September 2007
30 November 2007	-	-	27,900	27,900	27,900	1,924,920,422	1,924,920,422	11 December 2007
Total	14,012,513	6,981,800	4,138,266					
Number of issued warrants	15,000,000	7,000,000	15,000,000					
Number of exercised warrants	(14,012,513)	(6,981,800)	(4,138,266)					
Number of expired warrants	(987,487)	-	-					
Number of unexercised warrants	-	18,200	10,861,734					

19. STATUTORY RESERVE

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

20. NUMBER OF EMPLOYEES AND RELATED COSTS

	Consolidated and separate financial statements	
	2007	2006
Number of employees at end of year (persons)	4,012	3,797
Employee costs for the year (Million Baht)	1,011	876

21. CORPORATE INCOME TAX

Corporate income tax for the years ended 31 December 2007 and 2006, 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.

22. EARNINGS PER SHARE

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

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

Reconciliation between basic earning per share and diluted earning per share is presented below:

	Consolidated financial statements					
	For the years ended 31 December					
	Net income (Baht)		Weighted average number of ordinary shares (shares)		Earnings per share (Baht)	
	<u>2007</u>	<u>2006</u> (Restated)	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u> (Restated)
<u>Basic earnings per share</u>						
Net income of ordinary shares	710,375,364	600,547,641	1,922,860,405	1,031,859,453	<u>0.37</u>	<u>0.58</u>
Effect of dilutive potential ordinary shares	-	-	10,853,626	2,313,304		
<u>Diluted earnings per share</u>						
Net income of ordinary shareholders assuming the conversion of warrants to ordinary shares	<u>710,375,364</u>	<u>600,547,641</u>	<u>1,933,714,031</u>	<u>1,034,172,757</u>	<u>0.37</u>	<u>0.58</u>

	Separate financial statements					
	For the year ended 31 December					
	Net income (Baht)		Weighted average number of ordinary shares (shares)		Earnings per share (Baht)	
	<u>2007</u>	<u>2006</u> (Restated)	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u> (Restated)
<u>Basic earnings per share</u>						
Net income of ordinary shares	704,775,741	598,633,861	1,922,860,405	1,031,859,453	0.37	0.58
Effect of dilutive potential ordinary shares	-	-	10,853,626	2,313,304		
<u>Diluted earnings per share</u>						
Net income of ordinary shareholders assuming the conversion of warrants to ordinary shares	<u>704,775,741</u>	<u>598,633,861</u>	<u>1,933,714,031</u>	<u>1,034,172,757</u>	<u>0.36</u>	<u>0.58</u>

23. FINANCIAL INFORMATION BY SEGMENT

The majority of the operations of the Company and subsidiary involve the business segments of trading of construction materials, construction equipment and tools, decoration equipment, instruments, and 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.

24. PROVIDENT FUND

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contributed to the fund monthly at the rate of 3 - 5 percent of basic salary. The fund, which is managed by Bangkok Bank Plc., will be paid to employees upon termination in accordance with the fund rules. During the year 2007, the Company contributed Baht 20.86 million (2006: Baht 17.36 million) to the fund.

25. DIVIDEND PAID

Dividends declared during the years 2007 and 2006 consisted of the followings: -

	Approved by	Total dividends	Dividend per share	Paid on
Final dividend from 2006 retained earnings	Annual General Meeting of the shareholders on 4 April 2007	230.44	0.12	27 April 2007
Final dividend from 2005 retained earnings	Annual General Meeting of the shareholders on 4 April 2006	190.82	0.20	20 April 2006

26. COMMITMENTS AND CONTINGENT LIABILITIES

26.1 As at 31 December 2007 and 2006, the Company has commitments totaling Baht 116.18 million and Baht 55.19 million, respectively, to a bank and four financial institutions in respect of guarantees provided for leasing, purchases of goods or hire of work, as bonds with State Enterprise.

26.2 The Company has entered into seven 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.

26.3 As at 31 December 2007, the Company has commitments under letters of credit opened with three commercial banks, amounting to USD 2.40 million (2006: two commercial banks amounting to USD 1.02 million).

27. COMMITMENTS UNDER LONG-TERM LEASE AGREEMENTS

27.1 The Company has entered into six land lease agreements, under which its rental payment commitments are as follows:

	<u>Million Baht</u>
Payable within:	
1 year	34
2 to 5 years	194
Thereafter	782
	<u>1,010</u>

27.2 The Company has entered into 14 lease agreements to lease commercial space, under which its rental payment commitments are as follows:

	<u>Million Baht</u>
Payable within:	
1 year	69
2 to 5 years	377
Thereafter	1,049
	<u>1,495</u>

28. FINANCIAL INSTRUMENTS

28.1 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 receivable. 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 others receivable 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.

Significant financial assets and liabilities as at 31 December 2007, 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			Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)	
Within 1 year	Over 1-5 years	Over 5 years					
(Baht)							
<u>Financial assets</u>							
Cash and cash equivalent	-	-	-	115,781,360	119,293,652	235,075,012	0.50
<u>Financial liabilities</u>							
Bank overdraft and short-term							
loans from financial							
institutions	555,000,000	-	-	-	-	555,000,000	3.55
Debentures	500,000,000	500,000,000	-	-	-	1,000,000,000	5.00 - 5.40
Long-term loans	400,000,000	975,000,000	-	-	-	1,375,000,000	4.58 - 5.05
	<u>1,455,000,000</u>	<u>1,475,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,930,000,000</u>	

Separate financial statements

	Fixed interest rates					Total	Interest rate (% p.a.)
	Within 1 year	Over 1-5 years	Over 5 years	Floating interest rate	Non- interest bearing		
	(Baht)						
Financial assets							
Cash and cash equivalent	-	-	-	100,392,706	119,257,772	219,650,478	0.50
Financial liabilities							
Banks overdraft and short-term loans from financial institutions	555,000,000	-	-	-	-	555,000,000	3.55
Short-term loans from related party	50,000,000	-	-	-	-	50,000,000	3.40
Debentures	500,000,000	500,000,000	-	-	-	1,000,000,000	5.00 - 5.40
Long-term loans	400,000,000	975,000,000	-	-	-	1,375,000,000	4.58 - 5.05
	<u>1,505,000,000</u>	<u>1,475,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,980,000,000</u>	

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 December 2007 are summarised below.

Foreign currency	Financial liabilities (Dollar)	Average exchange rate as at 31 December 2007 (Baht per dollar)
USD	16,463	33.88

28.2 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.

29. RECLASSIFICATION

In addition to the prior years adjustment as mentioned in Note 5, which affects the net income and shareholder's equity as previously reported by another auditor, certain other amounts in the financial statements for the year ended 31 December 2006 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity other than from the change in accounting policy.

30. SUBSEQUENT EVENT

On 12 February 2008, the Meeting of the Company's directors passed a resolution to propose the following matters to the Meeting of Shareholders:

- 30.1 The Company paying a dividend of 1,925 million shares at Baht 0.18 each, totaling Baht 346.48 million, to its shareholders.
- 30.2 The Company reducing its share capital by Baht 2,078,714, effective after the expiration of ESOP-W1.

31. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 12 February 2008.