

Home Product Center Public Company Limited and its subsidiary

Notes to consolidated financial statements

For the years ended 31 December 2008 and 2007

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 December 2008, the Company has a total of 33 branches (2007: 30 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 and their presentation 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 in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from such financial statements in Thai language.

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 (“the Company”) and the following subsidiary (“the subsidiary”):

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	
		<u>2008</u>	<u>2007</u>		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
		Percent	Percent		Percent	Percent	Percent	Percent
Market Village Company Limited	Space rental	99.99	99.99	Thailand	0.47	0.44	1.16	1.26

- b) Subsidiary is fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent significant accounting policies.
- d) Material balances and transactions between the Company and its subsidiary have been eliminated from the consolidated financial statements.
- e) Investment in the subsidiary as recorded in the Company's books of account is eliminated against the equity of the subsidiary.
- f) Minority interest represents the portion of net income or loss and net assets of the subsidiary that is not held by the Company and is presented separately in the consolidated income statement and within equity in the consolidated balance sheet.

- 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

3.1 Accounting standards which are effective for the current year

The Federation of Accounting Professions has issued Notification No. 9/2550, 38/2550 and 62/2550 mandating the use of new accounting standards as follows.

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 become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these standards and believes that TAS 43 and TAS 49 are not relevant to the business of the Company, while TAS 25, TAS 29, TAS 31, TAS 33, TAS 35, TAS 39, TAS 41 and TAS 51 do not have any significant impact on the financial statements for the current year.

3.2 Accounting standards which are not 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 will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these 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. Significant accounting policies

4.1 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.

4.2 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.

4.3 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 debt aging.

4.4 Inventories

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

Volume incentives received from the supplier are accounted for as a reduction of inventory purchases and recognised in income statements when the related inventory is sold.

4.5 Investment

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

4.6 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.

4.7 Intangible assets

Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life (10 years) and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

4.8 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.

4.9 Long-term leases

Leases of equipment and motor vehicles 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 equipment and motor vehicles acquired under finance leases is depreciated over the useful life of the asset.

4.10 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rates ruling at the balance sheet date.

Gains and losses on exchange are included in determining income.

4.11 Impairment of assets

At each reporting date, the Company performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

4.12 Employee benefits

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

4.13 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.

4.14 Income tax

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

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

Property plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company's plant and equipment and to review estimate useful lives and salvage values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying cost. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Marketing promotion expenses

Marketing promotion expenses arise in respect of advertising and promotional activities, including various sales promotion activities that are undertaken when the Company has already sold merchandise but still has obligations to customers to make payment related to such sales promotion in the future. Certain transactions are estimates based on experience and comparison with various information available in the related market. However, the use of different estimates and assumptions could affect the amounts of marketing promotion expenses and adjustments to this expense may therefore be required in the future.

6. Trade accounts receivable

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Trade accounts receivable	110,092,951	98,643,757	105,430,492	91,595,574
Check returned receivable	16,474,985	17,593,572	16,474,985	17,593,572
Credit card and coupon receivable	34,058,484	48,129,935	34,005,459	48,129,935
Total	160,626,420	164,367,264	155,910,936	157,319,081
Less: Allowance for doubtful accounts	(25,643,406)	(20,785,511)	(25,643,406)	(20,785,511)
Trade accounts receivable - net	<u>134,983,014</u>	<u>143,581,753</u>	<u>130,267,530</u>	<u>136,533,570</u>

The outstanding balances of trade accounts receivable as at 31 December 2008 and 2007 are aged as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
<u>Age of receivables</u>				
Not yet due	127,421,935	129,111,298	125,318,455	122,589,168
Past due:				
Upto 6 months	16,664,851	17,488,329	14,052,847	16,962,275
6 - 12 months	14,724	-	14,724	-
Over 12 months	16,524,910	17,767,637	16,524,910	17,767,638
Total	160,626,420	164,367,264	155,910,936	157,319,081
Less: Allowance for doubtful accounts	(25,643,406)	(20,785,511)	(25,643,406)	(20,785,511)
Trade accounts receivable - net	<u>134,983,014</u>	<u>143,581,753</u>	<u>130,267,530</u>	<u>136,533,570</u>

7. Inventories

(Unit: Baht)

	Consolidated and separate financial statements	
	2008	2007
Inventories	3,342,685,675	3,049,137,812
Less: Allowance for stock obsolescence	(82,484,623)	(61,590,238)
Net	3,260,201,052	2,987,547,574
Less: Inventories - repaid its cost when sold	(437,617,125)	(354,273,297)
Purchase discount	(94,505,401)	(85,705,401)
Inventories - net	<u>2,728,078,526</u>	<u>2,547,568,876</u>

8. Investment in subsidiary

(Unit: Baht)

	Separate financial statements							
	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2008	2007	2008	2007	2008	2007	2008	2007
			(Percent)	(Percent)				
Subsidiary								
Market Village								
Company Limited	5,000,000	5,000,000	99.99	99.99	<u>4,999,300</u>	<u>4,999,300</u>	-	-

9. 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: Baht)

	Consolidated		Separate		Pricing policy
	financial statements		financial statements		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	
Transactions with subsidiary company					
(eliminated from consolidated financial statements)					
Sale of goods	-	-	1,457,373	619,057	Market price
Rental and service income	-	-	118,957,492	106,898,021	Baht 9.5 - 11.0 million per month for 2008 and Baht 6.5 - 9.4 million per month for 2007
Other income	-	-	22,742,904	21,573,366	Percentage of core revenue
Service income	-	-	6,872,228	4,062,079	Actual cost
Interest expenses	-	-	1,732,260	2,301,329	3.40 - 4.25 percent per annum (2007: 3.40 - 5.15 percent per annum)
Transactions with related companies					
Sale of goods	11,331,640	11,994,808	11,331,640	11,994,808	Market price
Interest income	1,647,215	269,551	1,647,215	269,551	0.75 - 3.00 percent per annum (2007: 0.50 percent per annum)
Purchase of goods	5,328,940	1,422,527	5,328,940	1,422,527	Market price
Rental and service expenses	18,575,202	16,747,295	18,575,202	16,747,295	Percentage of sales

As at 31 December 2008 and 2007, the Company had the following outstanding balances with related parties: -

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Bill of exchanges and deposits with financial institution				
Land and Houses Retail Bank Plc. ⁽¹⁾	<u>435,139,799</u>	<u>133,705</u>	<u>435,139,799</u>	<u>113,705</u>
Trade accounts receivable				
Land and Houses Plc. and subsidiaries ⁽²⁾	2,261,237	1,708,202	2,261,237	1,708,202
Quality Houses Plc. and subsidiaries ⁽²⁾	66,457	335,594	66,457	335,594
Market Village Co., Ltd.				
(eliminated from consolidated financial statements)				
	-	-	177,860	131,821
Total	<u>2,327,694</u>	<u>2,043,796</u>	<u>2,505,554</u>	<u>2,175,617</u>

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Other receivables				
Quality Construction Products Plc. and subsidiaries ⁽¹⁾	6,420	3,210	6,420	3,210
Market Village Co., Ltd.				
(eliminated from consolidated financial statements)	-	-	6,928,250	6,025,498
Total	6,420	3,210	6,934,670	6,028,708
Rental guarantee deposits				
Quality Houses Property and Loans Funds ⁽¹⁾	3,000,000	3,000,000	3,000,000	3,000,000
Trade accounts payable				
Quality Construction Products Plc. and subsidiaries ⁽¹⁾	2,263,542	20,801	2,263,542	20,801
Short-term loans from related party				
Market Village Co., Ltd.				
(eliminated from consolidated financial statements)	-	-	60,000,000	50,000,000
Other payables				
Quality Houses Property and Loans Funds ⁽¹⁾	1,307,185	1,660,870	1,307,185	1,660,870
Relationship with the related companies				
⁽¹⁾ has common shareholders				
⁽²⁾ the major shareholders				

During the year 2008, movement in the balances of short-term loans from related party were as follows:

	(Unit: Baht)			
	As at	During the year		As at
	1 January 2007	Increase	Decrease	31 December 2008
<u>Subsidiary</u>				
Market Village Co., Ltd.	50,000,000	120,000,000	(110,000,000)	60,000,000
		0)	

Short-term loans from related party

The Company has received unsecured loans of Baht 60 million (2007: Baht 50 million) from subsidiary, on which interest is payable on a monthly basis at a rate of 3.40 - 4.25 percent per annum. The loans are repayable at call.

Directors and management's remuneration

During the year 2008, the Company and its subsidiary paid salaries, bonus, meeting allowance and gratuities to their directors and management totaling Baht 12.55 million (2007: Baht 10.77 million).

In addition, during the year 2008 the Company has allocated 5,750,000 warrants (2007: 1,897,500 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.

10. 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 2007	2,226,314,998	6,063,352,525	246,609,302	1,587,594,457	30,383,285	53,454,683	10,207,709,250
Additions	137,700,504	58,571,821	32,891,213	153,796,616	7,637,991	593,173,605	983,771,750
Disposals	-	(1,984,550)	(11,430,066)	(14,154,443)	(426,916)	-	(27,995,975)
Transfers in (out)	16,369,492	143,963,059	12,115,614	81,798,868	680,300	(254,927,333)	-
As at 31 December 2008	2,380,384,994	6,263,902,855	280,186,063	1,809,035,498	38,274,660	391,700,955	11,163,485,025
Accumulated depreciation:							
As at 31 December 2007	-	863,559,037	177,874,646	767,961,522	15,732,155	-	1,825,127,360
Depreciation for the year	-	347,268,809	47,122,644	283,068,574	6,675,704	-	684,135,731
Depreciation on disposals	-	(535,589)	(10,240,233)	(11,286,116)	(426,915)	-	(22,488,853)
As at 31 December 2008	-	1,210,292,257	214,757,057	1,039,743,980	21,980,944	-	2,486,774,238
Allowance for impairment loss:							
As at 31 December 2007	13,000,000	30,000,000	-	-	-	-	43,000,000
Increase during the year	-	20,540,000	-	-	-	-	20,540,000
As at 31 December 2008	13,000,000	50,540,000	-	-	-	-	63,540,000
Net book value:							
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
31 December 2008	2,367,384,994	5,003,070,598	65,429,006	769,291,518	16,293,716	391,700,955	8,613,170,787
Depreciation for the year: (as included in administrative expenses)							
2007							616,616,695
2008							684,135,731

(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 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
Additions	137,700,504	58,571,821	32,833,434	152,933,112	7,637,991	592,906,605	982,583,467
Disposals	-	(1,984,550)	(11,430,066)	(13,997,382)	(426,916)	-	(27,838,914)
Transfers in (out)	16,369,492	143,963,059	12,115,614	79,275,433	680,300	(252,403,898)	-
As at 31 December 2008	<u>2,380,384,994</u>	<u>6,263,257,138</u>	<u>279,966,861</u>	<u>1,790,258,063</u>	<u>37,677,614</u>	<u>391,700,955</u>	<u>11,143,245,625</u>
Accumulated depreciation:							
As at 31 December 2007	-	863,532,449	177,831,650	762,632,857	15,503,315	-	1,819,500,271
Depreciation for the year	-	347,204,237	47,078,279	279,383,652	6,556,295	-	680,222,463
Depreciation on disposals	-	(535,589)	(10,240,233)	(11,228,140)	(426,915)	-	(22,430,877)
As at 31 December 2008	<u>-</u>	<u>1,210,201,097</u>	<u>214,669,696</u>	<u>1,030,788,369</u>	<u>21,632,695</u>	<u>-</u>	<u>2,477,291,857</u>
Allowance for impairment loss:							
As at 31 December 2007	13,000,000	30,000,000	-	-	-	-	43,000,000
Increase during the year	-	20,540,000	-	-	-	-	20,540,000
As at 31 December 2008	<u>13,000,000</u>	<u>50,540,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,540,000</u>
Net book value:							
31 December 2007	<u>2,213,314,998</u>	<u>5,169,174,359</u>	<u>68,616,229</u>	<u>809,414,043</u>	<u>14,282,924</u>	<u>51,198,248</u>	<u>8,326,000,801</u>
31 December 2008	<u>2,367,384,994</u>	<u>5,002,516,041</u>	<u>65,297,165</u>	<u>759,469,694</u>	<u>16,044,919</u>	<u>391,700,955</u>	<u>8,602,413,768</u>
Depreciation for the year: (as included in administrative expenses)							
2007							<u>613,463,453</u>
2008							<u>680,222,463</u>

As at 31 December 2008, the Company had vehicles and equipment under finance lease agreements with net book values amounting to Baht 34 million.

As at 31 December 2008, certain plant and equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 440.2 million (2007: Baht 197.5 million) (The Company only: Baht 440.2 million, 2007: Baht 197.5 million).

As at 31 December 2008, the Company has mortgaged buildings and leasehold rights net book value of Baht 576.5 million (Note 12) (2007: Baht 603.6 million) to secure credit facilities from banks, as described in Notes 13 and 16.

11. Computer software

	(Unit: Baht)	
	Consolidated financial statements	Separate financial statements
Cost		
Balance as at 31 December 2007	179,658,574	179,649,118
Acquisitions during the year	31,147,714	31,147,714
Balance as at 31 December 2008	<u>210,806,288</u>	<u>210,796,832</u>
Accumulated amortisation		
Balance as at 31 December 2007	63,513,981	63,512,146
Amortisation for the year	17,130,057	17,129,112
Balance as at 31 December 2008	<u>80,644,038</u>	<u>80,641,258</u>
Net book value		
Balance as at 31 December 2007	<u>116,144,593</u>	<u>116,136,972</u>
Balance as at 31 December 2008	<u>130,162,250</u>	<u>130,155,574</u>

12. Leasehold rights

	(Unit: Baht)	
	Consolidated and Separate financial statements	
Cost		
Balance as at 31 December 2007		624,925,311
Acquisitions during the year		236,526,147
Balance as at 31 December 2008		<u>861,451,458</u>
Accumulated amortisation		
Balance as at 31 December 2007		111,485,667
Amortisation for the year		27,002,132
Balance as at 31 December 2008		<u>138,487,799</u>
Net book value		
Balance as at 31 December 2007		<u>513,439,644</u>
Balance as at 31 December 2008		<u>722,963,659</u>

13. Bank overdrafts and short-term loans from financial institutions

	Interest rate (percent per annum)	(Unit: Baht)	
		Consolidated and separate financial statements	
		2008	2007
Short-term loans from financial institutions	3.55 - 4.00	124,823,805	555,000,000

As at 31 December 2008, the Company had short-term loans in the form of promissory notes totalling Baht 124.8 million (2007: Baht 555.0 million) from two financial institutions and a financial institution, respectively. The loans carry interest at rate of 4.00% per annum (2007: 3.55% per annum) and are not secured. The loans are repayable at call.

As at 31 December 2008 and 2007, the Company had overdraft lines from banks totaling Baht 130 million and Baht 105 million, respectively, and other credit facilities amounting to Baht 4,677 million and Baht 5,342 million, respectively, some of which are secured by leasehold rights and construction (Notes 10 and 12).

14. Liabilities under financial lease agreements

	(Unit: Baht)			
	Consolidated and separate financial statements			
	Portion due within one year		Portion due over one year	
	2008	2007	2008	2007
Liabilities under financial lease agreements	9,951,132	14,109,140	5,847,324	10,800,138
Less: Deferred interest expense	(655,411)	(1,173,517)	(376,946)	(510,975)
Net	9,295,721	12,935,623	5,470,378	10,289,163

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. Finance lease agreements are non-cancelable.

As at 31 December 2008, 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	9.95	5.84	15.79
Deferred interest expenses	<u>(0.65)</u>	<u>(0.37)</u>	<u>(1.02)</u>
Present value of future minimum lease payments	<u>9.30</u>	<u>5.47</u>	<u>14.77</u>

15. Debentures

Debentures of the Company consist of:

	Consolidated and separate financial statements			
	Number of debentures (Unit)		Amount (Baht)	
	2008	2007	2008	2007
Unsecured Debentures # 1/2548				
Series 1	-	500,000	-	500,000,000
Series 2	500,000	500,000	500,000,000	500,000,000
Unsecured debentures				
#1/2551	500,000	-	420,000,000	-
#2/2551	630,000	-	630,000,000	-
Total	<u>1,630,000</u>	<u>1,000,000</u>	1,550,000,000	1,000,000,000
Less: Current portion			(660,000,000)	(500,000,000)
Debentures - net of current portion			<u>890,000,000</u>	<u>500,000,000</u>

At the Extraordinary Meeting of shareholders No. 1/2003 held on 25 April 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

In March 2008, the Company repaid Baht 500 million unsecured debentures #1/2548 series 1 in full to the debentures holders.

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.

On 2 May 2008, the Company issued Baht 500 million of debentures, as detailed below.

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

On 21 November 2008, the Company issued Baht 630 million of debentures, as detailed below.

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

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
		2008	2007		
1	1,500,000,000	975,000,000	1,275,000,000	Baht 25 million	*
2	100,000,000	-	100,000,000	Baht 33 million	**
	Total	975,000,000	1,375,000,000		
	Less: Current portion	(300,000,000)	(400,000,000)		
	Long-term loans - net				
	of current portion	<u>675,000,000</u>	<u>975,000,000</u>		

* : 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 10 and 12).
- 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 bank jointly amended the loan agreement to decrease the limit on the facility from Baht 2,000 million to Baht 845 million. As at result, the Company has the unutilized portion of the facility amounts to Baht 745 million.

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

17. Share capital

17.1 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.

17.2 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 years ended	
	31 December	
	<u>2008</u>	<u>2007</u>
<u>Registered share capital</u>		
Number of ordinary shares at beginning of year	1,988,546,860	1,938,146,860
Increase in registered share capital due to issuing		
ESOP-W4	-	50,400,000
Decrease in registered share capital due to expiration of ESOP-W1	(2,078,714)	-
Number of ordinary shares at end of year	<u>1,986,468,146</u>	<u>1,988,546,860</u>
<u>Issued and paid-up share capital</u>		
Number of ordinary shares at beginning of year	1,924,920,422	1,919,818,404
Increase from the exercise of ESOP-W1, ESOP-W2, ESOP-W3 and ESOP-W4	<u>8,690,178</u>	<u>5,102,018</u>

Number of ordinary shares at end of year	<u>1,933,610,600</u>	<u>1,924,920,422</u>
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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 and a term of 3 years.

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 and a term of 3 years.

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) 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 and a term of 3 years. 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) can be exercised to purchase 1.811 ordinary shares at a price of Baht 1 per share.

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 its employees. Each warrant can be exercised to purchase 1 ordinary share, and has a term of 5 years, with no more than 20% of the issued warrants to be exercised each year. The exercise price is calculated at a 20% discount on the 30-day average closing price of the Company's shares. The issue of ESOP-W4 has affected the exercise of ESOP-W2 and ESOP-W3 as follows: -

- One warrant of the issue of warrants allotted to employees of the Company (ESOP-W2) can be exercised to purchase 1.823 ordinary shares at a price of Baht 1 per share.
- One warrant of the issue of warrants allotted to employees of the Company (ESOP-W3) can be exercised to purchase 1.007 ordinary shares at a price of Baht 1 per share.

The holders of the warrants have exercised their rights as summarized 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 (Shares) (Baht)		Date of registration with the Ministry of Commerce
	ESOP-W1 (Units)	ESOP-W2 (Units)	ESOP-W3 (Units)	ESOP-W4 (Units)		(Shares)	(Baht)	(Shares)	(Baht)	
Beginning balance										
1 January 2007	13,511,689	6,951,800	-	-	-	-	1,919,818,404	1,919,818,404	-	-
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	
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	
Total	14,012,513	6,981,800	9,066,168	3,728,300						
Number of issued warrants	15,000,000	7,000,000	15,000,000	50,000,000						
Number of exercised warrants	(14,012,513)	(6,981,800)	(9,066,168)	(3,728,300)						
Number of expired warrants	(987,487)	-	-	-						
Number of unexercised warrants	-	18,200	5,933,832	46,271,700						

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. Expenses by nature

Significant expenses by nature are as follow:

	Consolidated financial statements		Separate financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Employee remuneration	1,272	1,011	1,272	1,011
Premises expenses	789	700	741	652
Depreciation and amortisation	728	657	724	654
Sales promotion and operation support expenses	1,156	1,005	1,143	986
Financial costs	134	175	136	177
Income tax	392	269	390	267
Changes in inventories of finished goods	294	125	294	125

21. 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.

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

Consolidated financial statements						
For the years ended 31 December						
	Net income (Baht)		Weighted average number of ordinary shares (shares)		Earnings per share (Baht)	
	2008	2007	2008	2007	2008	2007
Basic earnings per share						
Net income attributable to equity						
holders of the parent	959,418,953	710,375,364	1,929,865,525	1,922,860,405	0.50	0.37
Effect of dilutive potential ordinary shares	-	-	10,697,835	10,853,626		
Diluted earnings per share						
Net income of ordinary shareholders						
assuming the conversion of warrants to ordinary shares	959,418,953	710,375,364	1,940,563,360	1,933,714,031	0.49	0.37
Separate financial statements						
For the year ended 31 December						
	Net income (Baht)		Weighted average number of ordinary shares (shares)		Earnings per share (Baht)	
	2008	2007	2008	2007	2008	2007
Basic earnings per share						
Net income attributable to equity						
holders of the parent	953,946,185	704,775,741	1,929,865,525	1,922,860,405	0.49	0.37
Effect of dilutive potential ordinary shares	-	-	10,697,835	10,853,626		
Diluted earnings per share						
Net income of ordinary shareholders						
assuming the conversion of warrants to ordinary shares	953,946,185	704,775,741	1,940,563,360	1,933,714,031	0.49	0.36

22. 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.

23. 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 American International Assurance Co., Ltd., will be paid to employees upon termination in accordance with the fund rules. During the year 2008, the Company contributed Baht 23.98 million (2007: Baht 20.86 million) to the fund.

24. Dividend paid

Dividends declared during the years 2008 and 2007 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 2007 retained earnings	Annual General Meeting of the shareholders on 9 April 2008	346.49	0.18	8 May 2008

25. Commitments and contingent liabilities

25.1 As at 31 December 2008 and 2007, the Company has commitments totaling Baht 75.90 million and Baht 116.18 million, respectively, to a bank and five financial institutions in respect of guarantees provided for leasing, purchases of goods or hire of work, as bonds with State Enterprise.

25.2 As at 31 December 2008, the Company has commitments under letters of credit opened with two commercial banks, amounting to USD 1.99 million (2007: three commercial banks amounting to USD 2.40 million).

26. Commitments under long-term lease agreements

26.1 Long-term lease agreements - as lease

a) The Company has entered into eight 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 December 2008, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

	<u>Million Baht</u>
Payable within:	
1 year	39.5
2 to 5 years	179.0
Thereafter	946.4
	<u>1,164.9</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 December 2008, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

	<u>Million Baht</u>
Payable within:	
1 year	80.3
2 to 5 years	343.9
Thereafter	1,423.2
	<u>1,847.4</u>

26.2 Long-term lease agreements - as leaser

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.

The outstanding balance of rental received in advance as of 31 December 2008 was Baht 542.8 million (2007: Baht 564.4 million).

27. Financial instruments

27.1 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 2008, 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					Total	Interest rate (% p.a.)
	Within	Over	Over	Floating	Non- interest		
	1 year	1-5 years	5 years	interest rate	bearing		
	(Baht)						
Financial assets							
Cash and cash equivalent	435,000,000	-	-	40,594,238	128,193,912	603,788,150	0.75 - 3.00
Financial liabilities							
Bank overdraft and short-term							
loans from financial							
institutions	124,823,805	-	-	-	-	124,823,805	4.00
Debentures	660,000,000	890,000,000	-	-	-	1,550,000,000	4.00 - 5.50
Long-term loans	300,000,000	675,000,000	-	-	-	975,000,000	6.00
	<u>1,084,823,805</u>	<u>1,565,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,649,823,805</u>	

* 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					Total	Interest rate (% p.a.)
	Within	Over	Over	Floating	Non- interest		
	1 year	1-5 years	5 years	interest rate	bearing		
	(Baht)						
Financial assets							
Cash and cash equivalent	435,000,000	-	-	17,467,548	127,427,137	579,894,685	0.75 - 3.00
Financial liabilities							
Banks overdraft and short-term							
loans from financial							
institutions	124,823,805	-	-	-	-	124,823,805	4.00
Short-term loans from							
related party	60,000,000	-	-	-	-	60,000,000	3.40 - 4.25
Debentures	660,000,000	890,000,000	-	-	-	1,550,000,000	4.00 - 5.50
Long-term loans	300,000,000	675,000,000	-	-	-	975,000,000	6.00
	<u>1,144,823,805</u>	<u>1,565,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,709,823,805</u>	

* 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 good purchase 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 2008 are summarised below.

<u>Foreign currency</u>	<u>Financial liabilities</u>	<u>Average exchange rate as at 31 December 2008</u>
	(Dollar)	(Baht per dollar)
USD	10,363	35.0824

27.2 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.

28. Capital management

The primary objectives of the Company and its subsidiary capital management are to ensure that it has an appropriate financing structure and preserves the ability to continue its business as a going concern.

As at 31 December 2008, total debt to equity ratio in the consolidated financial statements is 1.70:1 (the separate financial statements: total debt to equity ratio is 1.69:1).

29. Subsequent event

On 19 February 2009, the Meeting of the Company's directors passed a resolution to propose the following matters to the meeting of shareholders.

29.1 The Company paying a dividend of 1,934 million shares at Baht 0.35 each, totaling Baht 676.7 million, to its shareholders.

29.2 The Company increasing its share capital from Baht 1,986,468,146 to Baht 2,001,199,838 to support the exercise of warrant to be allocated to employees of the Company (ESOP-W4) for which the exercise rights are to be adjusted.

30. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2007 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follow:

	(Unit: Baht)	
	<u>Consolidated financial statements</u>	
	<u>Reclassified</u>	<u>Previously reported</u>
Leasehold right and computer software - net	-	629,584,237
Leasehold right - net	116,144,593	-
Computer software - net	513,439,644	-

	(Unit: Baht)	
	<u>Separate financial statements</u>	
	<u>Reclassified</u>	<u>Previously reported</u>
Leasehold right and computer software - net	-	629,576,616
Leasehold right - net	116,136,972	-
Computer software - net	513,439,644	-

31. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 19 February 2009.