

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

**Notes to consolidated financial statements**

**For the years ended 31 December 2010 and 2009**

**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 goods and materials for construction, addition, refurbishment and renovation 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 2010, the Company has a total of 40 branches operating in Bangkok and other provinces (2009: 35 branches).

**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, except for the Thai Accounting Standard No. 19 regarding “Employee Benefits”, which the Company had early adopted before the date of enforcement.

The presentation of the financial statement has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, 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 the Thai language financial statements.

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	Country of incorporation	Percentage of shareholding		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	
			2010	2009	2010	2009	2010	2009
			Percent	Percent	Percent	Percent	Percent	Percent
Market Village Company Limited	Space rental	Thailand	99.99	99.99	0.34	0.40	1.09	1.20

- 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 using the same significant accounting policies as the Company.
- 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

During the current year, the Federation of Accounting Professions issued a number of revised and new accounting standards as listed below.

- a) Accounting standards that are effective for fiscal years beginning on or after 1 January 2011 (except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective):

Framework for the Preparation and Presentation of Financial Statements  
(revised 2009)

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued

	Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate

b) Accounting standards that are effective for fiscal years beginning on or after 1 January 2013:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards which management expects the impact on the financial statements in the year when they are adopted.

#### **TAS 12 Income Taxes**

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

#### **TAS 23 (revised 2009) Borrowing Costs**

This accounting standard requires entities to capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Currently, the Company elected to expense such borrowing costs when incurred. The change in this accounting policy will be applied for borrowing costs incurred on or after 1 January 2011.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### *Sales of goods*

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are recorded based on the selling prices 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 recognised 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 and at banks, 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 realisable value.

Volume incentives received from the supplier are accounted for as a reduction of the value of inventory and recognised in income statement 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 less accumulated depreciation, and less 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	-	useful lives but not over lease periods
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 assets under installation and under construction.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

#### **4.7 Intangible assets**

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

Intangible assets (computer software) 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 Leasehold rights and amortisation**

Leasehold rights are stated at cost less accumulated amortisation. The Company amortises leasehold rights on a straight-line basis over the leasehold period.

The amortisation is included in determining income.

#### **4.9 Borrowing costs**

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are recognised as an expense when incurred.

#### **4.10 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.

#### **4.11 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 are depreciated over the useful life of the assets.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

#### **4.12 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.

#### **4.13 Impairment of assets**

At each reporting date, the Company performs impairment reviews in respect of the property, plant and equipment and other 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.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.



#### **4.14 Employee benefits**

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

The provision for employee retirement benefits is calculated by estimating the amount of future benefit earned by employees in return for service provided to the Company in the current and future periods, using the actuarial valuation. Such benefits are discounted to determine the present value. The reference point for setting the discount rate is the yield rate of government bonds as at the reporting date. The calculation is performed by a qualified actuary using the Projected Unit Credit Method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the income statement on a straight-line basis over the average period until the benefits become vested. Any actuarial gains or losses are recognised in the statement of income in the period in which they arise.

#### **4.15 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.

#### **4.16 Income tax**

Income tax is recognised using the income tax payable method, calculated 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 damaged goods**

In determining an allowance for damaged goods due to loss or deterioration, the management needs to exercise judgment in making estimates based upon the condition of goods and the duration such goods have remained in stock.

**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.

## Pension and post-retirement benefits

Pension and post-retirement benefit costs are based on actuarial calculations. Inherent within these calculations are assumptions as to salary increases and discount rate, among others.

## 6. Change in accounting policy

During the current year, the Company hired an independent actuarial company to assess the value of provision for employee retirement benefits using the Projected Unit Credit Method, in order to reflect such value appropriately. The Company applied the change retrospectively, by adjusting provision of Baht 63.5 million against retained earnings brought forward of the year 2010, and restating the financial statements for the year 2009 as though such provision had always been recorded. As a result, net income in the consolidated and separate financial statements for the year ended 31 December 2009 decreased by Baht 12.0 million.

The cumulative effect of the change in accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy for provision for employee benefits” in the statements of changes in shareholders’ equity.

## 7. Cash and cash equivalents

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Cash	86,922,003	60,264,352	86,191,705	59,686,438
Bank deposits	135,323,108	111,066,477	110,552,435	89,690,510
Bills of exchange	1,195,000,000	675,000,000	1,195,000,000	675,000,000
Total	<u>1,417,245,111</u>	<u>846,330,829</u>	<u>1,391,744,140</u>	<u>824,376,948</u>

As at 31 December 2010, bank deposits in saving accounts and bills of exchange carried interests between 0.25 and 1.60 percent per annum (2009: between 0.50 and 2.85 percent per annum).

## 8. Trade accounts receivable

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Trade accounts receivable	84,015,217	79,645,437	79,217,085	74,973,931
Check returned receivable	2,211,537	4,788,722	2,211,537	4,788,722
Credit card and coupon receivable	80,441,476	65,549,071	80,441,476	65,502,199
Total	166,668,230	149,983,230	161,870,098	145,264,852
Less: Allowance for doubtful accounts	(2,649,226)	(5,398,348)	(2,649,226)	(5,398,348)
Trade accounts receivable - net	<u>164,019,004</u>	<u>144,584,882</u>	<u>159,220,872</u>	<u>139,866,504</u>

The outstanding balances of trade accounts receivable as at 31 December 2010 and 2009 are aged as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b>Age of receivables</b>				
Not yet due	143,397,176	133,064,836	140,420,729	130,671,318
Past due:				
Upto 6 months	20,816,374	11,801,713	18,994,689	9,520,286
6 - 12 months	-	43,433	-	-
Over 12 months	2,454,680	5,073,248	2,454,680	5,073,248
Total	166,668,230	149,983,230	161,870,098	145,264,852
Less: Allowance for doubtful accounts	(2,649,226)	(5,398,348)	(2,649,226)	(5,398,348)
Trade accounts receivable - net	<u>164,019,004</u>	<u>144,584,882</u>	<u>159,220,872</u>	<u>139,866,504</u>

## 9. Other receivables

Other receivables mainly consist of receivables from sale support operation and area rental and related service receivables.

The outstanding balances of other receivables as at 31 December 2010 and 2009 are aged as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b>Age of receivables</b>				
Not yet due	169,956,341	122,516,249	172,390,198	124,770,783
Past due:				
Up to 6 months	304,083,566	222,275,208	304,083,566	222,275,208
6 - 12 months	1,971,495	3,083,936	1,971,495	3,083,936
Over 12 months	11,382,681	8,918,883	11,382,681	8,918,883
Total	487,394,083	356,794,276	489,827,940	359,048,810
Less: Allowance for doubtful accounts	(8,994,954)	(9,000,000)	(8,994,954)	(9,000,000)
Other receivables - net	<u>478,399,129</u>	<u>347,794,276</u>	<u>480,832,986</u>	<u>350,048,810</u>

## 10. Inventories

	(Unit: Baht)	
	Consolidated and	
	separate financial statements	
	2010	2009
Inventories	4,559,357,759	3,613,453,916
Less: Allowance for stock obsolescence	(149,360,727)	(112,301,165)
Net	4,409,997,032	3,501,152,751
Less: Inventories - repaid its cost when sold	(566,259,876)	(495,509,317)
Purchase discount	(129,505,401)	(100,505,401)
Inventories - net	<u>3,714,231,755</u>	<u>2,905,138,033</u>

## 11. Investment in subsidiary

(Unit: Baht)

	Separate financial statements							
	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2010	2009	2010	2009	2010	2009	2010	2009
			(Percent)	(Percent)				
<b>Subsidiary</b>								
Market Village								
Company Limited	5,000,000	5,000,000	99.99	99.99	4,999,300	4,999,300	-	-

## 12. 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		
	2010	2009	2010	2009	
<b>Transactions with subsidiary company</b>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	1,025,860	1,318,764	Market price
Rental and service income	-	-	146,311,429	138,894,845	Baht 11.7 - 12.3 million per month for 2010 (Baht 10.9 - 11.7 million per month for 2009)
Other income	-	-	27,671,890	24,293,934	Percentage of core revenue
Service income	-	-	9,277,234	7,558,230	Actual cost
Service expense	-	-	603,020	64,540	Market price
Interest expenses	-	-	1,221,329	1,538,610	1.50 - 1.85 percent per annum (2009: 1.50 - 4.00 percent per annum)
<b>Transactions with related companies</b>					
Sales of goods	11,499,285	4,371,699	11,499,285	4,371,699	Market price
Interest income	5,702,548	1,809,526	5,702,548	1,809,526	0.25 - 1.60 percent per annum (2009: 0.75 - 2.85 percent per annum)
Purchases of goods	547,100	1,410,774	547,100	1,410,774	Market price
Rental and service expenses	17,645,175	17,918,221	17,645,175	17,918,221	Percentage of sales but not less than a minimum rate

As at 31 December 2010 and 2009, the Company had the outstanding balances with related parties which had been included in the following accounts:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b>Bill of exchanges and deposits with financial institution</b> (included in cash and cash equivalents)				
Land and Houses Retail Bank Plc. <sup>(1)</sup>	1,196,574,649	677,976,592	1,196,574,649	677,976,592
<b>Trade accounts receivable</b>				
Land and Houses Plc. and subsidiaries <sup>(2)</sup>	2,363,253	432,460	2,363,253	432,460
Quality Houses Plc. and subsidiaries <sup>(2)</sup>	959,041	141,868	959,041	141,868
Market Village Co., Ltd. (eliminated from the consolidated financial statements)	-	-	124,190	81,800
<b>Total</b>	<b>3,322,294</b>	<b>574,328</b>	<b>3,446,484</b>	<b>656,128</b>
<b>Other receivables</b>				
Quality Construction Products Plc. <sup>(3)</sup>	3,210	3,210	3,210	3,210
Market Village Co., Ltd. (eliminated from the consolidated financial statements)	-	-	2,433,857	2,254,534
<b>Total</b>	<b>3,210</b>	<b>3,210</b>	<b>2,437,067</b>	<b>2,257,744</b>
<b>Rental guarantee deposits</b>				
Quality Houses Property Fund <sup>(1)</sup>	3,000,000	3,000,000	3,000,000	3,000,000
<b>Trade account payable</b>				
Quality Construction Products Plc. <sup>(3)</sup>	-	161,918	-	161,918
<b>Short-term loans from related party</b>				
Market Village Co., Ltd. (eliminated from the consolidated financial statements)	-	-	85,000,000	70,000,000
<b>Other payables</b>				
Quality Houses Property Fund <sup>(1)</sup>	1,436,038	1,302,452	1,436,038	1,302,452
Market Village Co., Ltd. (eliminated from the consolidated financial statements)	-	-	13,977	-
<b>Total</b>	<b>1,436,038</b>	<b>1,302,452</b>	<b>1,450,015</b>	<b>1,302,452</b>

Relationship with the related companies

<sup>(1)</sup> has common shareholders

<sup>(2)</sup> the major shareholders

<sup>(3)</sup> has common directors

During the year 2010, movements in the balances of short-term loans from related party were as follows:

<u>Subsidiary</u>	(Unit: Baht)			
	As at	During the year		As at
	31 December 2009	Increase	Decrease	31 December 2010
Market Village Co., Ltd.	70,000,000	15,000,000	-	85,000,000

The Company has received unsecured loans of Baht 85 million on which interest is payable on a monthly basis at a rate of 1.50 - 1.85 percent per annum (2009: 1.50 - 4.00 percent per annum). The loans are repayable at call.

#### Directors and management's benefits

In 2010, the Company and its subsidiary had salaries, bonus, meeting allowance and gratuities of their directors and management recognised as expenses totaling Baht 79.46 million (2009: Baht 70.95 million).

### 13. Property, plant and equipment

	Consolidated financial statements						(Unit: Baht)
	Land and land improvement	Buildings and building improvement	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
<b>Cost:</b>							
As at 31 December 2009	2,380,384,994	7,200,605,936	307,060,222	1,981,422,476	41,964,035	99,117,491	12,010,555,154
Additions	97,469,176	83,646,056	45,512,958	299,361,183	7,947,553	1,324,436,187	1,858,373,113
Disposals and written-off	-	(75,769,581)	(16,439,486)	(107,943,786)	(6,331,808)	-	(206,484,661)
Transfers in (out)	4,302,000	526,948,245	11,028,913	156,436,536	-	(698,715,694)	-
As at 31 December 2010	2,482,156,170	7,735,430,656	347,162,607	2,329,276,409	43,579,780	724,837,984	13,662,443,606
<b>Accumulated depreciation:</b>							
As at 31 December 2009	-	1,616,665,539	252,826,116	1,325,845,362	27,090,659	-	3,222,427,676
Depreciation for the year	-	446,961,250	39,670,440	314,482,694	7,434,872	-	808,549,256
Depreciation on disposals and written-off	-	(40,828,948)	(16,424,483)	(91,308,221)	(6,032,348)	-	(154,594,000)
As at 31 December 2010	-	2,022,797,841	276,072,073	1,549,019,835	28,493,183	-	3,876,382,932
<b>Allowance for impairment loss:</b>							
As at 31 December 2009	13,000,000	64,540,000	-	-	-	-	77,540,000
Increase during the year	-	53,598,000	-	-	-	-	53,598,000
Decrease during the year	-	(17,900,000)	-	-	-	-	(17,900,000)
As at 31 December 2010	13,000,000	100,238,000	-	-	-	-	113,238,000



(Unit: Baht)

Consolidated 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	
<b>Net book value:</b>							
31 December 2009	2,367,384,994	5,519,400,397	54,234,106	655,577,114	14,873,376	99,117,491	8,710,587,478
31 December 2010	2,469,156,170	5,612,394,815	71,090,534	780,256,574	15,086,597	724,837,984	9,672,822,674
<b>Depreciation for the year</b>							
2009 (Baht 714.4 million included in selling expenses, and the balance in administrative expenses)							756,319,116
2010 (Baht 773.3 million included in selling expenses, and the balance in administrative expenses)							808,549,256

(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	
<b>Cost:</b>							
As at 31 December 2009	2,380,384,994	7,199,960,219	306,812,940	1,961,881,890	41,366,990	99,117,491	11,989,524,524
Additions	97,469,176	83,646,056	45,391,909	299,098,418	7,947,553	1,324,324,925	1,857,878,037
Disposals and written-off	-	(75,769,581)	(16,439,486)	(107,723,277)	(6,331,809)	-	(206,264,153)
Transfers in (out)	4,302,000	526,948,245	11,028,913	156,436,536	-	(698,715,694)	-
As at 31 December 2010	2,482,156,170	7,734,784,939	346,794,276	2,309,693,567	42,982,734	724,726,722	13,641,138,408
<b>Accumulated depreciation:</b>							
As at 31 December 2009	-	1,616,509,808	252,675,868	1,313,145,786	26,623,001	-	3,208,954,463
Depreciation for the year	-	446,896,679	39,582,207	310,575,360	7,317,300	-	804,371,546
Depreciation on disposals and written-off	-	(40,828,948)	(16,424,483)	(91,137,236)	(6,032,348)	-	(154,423,015)
As at 31 December 2010	-	2,022,577,539	275,833,592	1,532,583,910	27,907,953	-	3,858,902,994
<b>Allowance for impairment loss:</b>							
As at 31 December 2009	13,000,000	64,540,000	-	-	-	-	77,540,000
Increase during the year	-	53,598,000	-	-	-	-	53,598,000
Decrease during the year	-	(17,900,000)	-	-	-	-	(17,900,000)
As at 31 December 2010	13,000,000	100,238,000	-	-	-	-	113,238,000
<b>Net book value:</b>							
31 December 2009	2,367,384,994	5,518,910,411	54,137,072	648,736,104	14,743,989	99,117,491	8,703,030,061
31 December 2010	2,469,156,170	5,611,969,400	70,960,684	777,109,657	15,074,781	724,726,722	9,668,997,414
<b>Depreciation for the year</b>							
2009 (Baht 714.4 million included in selling expenses, and the balance in administrative expenses)							752,180,384
2010 (Baht 773.3 million included in selling expenses, and the balance in administrative expenses)							804,371,546

As at 31 December 2010, the Company had vehicles and equipment under finance lease agreements with net book values amounting to Baht 15.2 million (2009: Baht 15.4 million).

As at 31 December 2010, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 859.2 million (2009: Baht 512.6 million) (The separate financial statements: Baht 858.9 million, 2009: Baht 512.6 million).

As at 31 December 2009, the Company had mortgaged buildings and leasehold rights (Note 15) with net book value of Baht 625.4 million to secure credit facilities from banks. In November 2010, the Company released the pledged assets in full, as discussed in Note 20

#### 14. Computer software

	(Unit: Baht)	
	Consolidated financial statements	Separate financial statements
<b>Cost</b>		
31 December 2009	234,652,474	234,643,018
Acquisitions during the year	57,679,118	57,331,067
Written-off during the year	(6,296,962)	(6,296,962)
31 December 2010	<u>286,034,630</u>	<u>285,677,123</u>
<b>Accumulated amortisation</b>		
31 December 2009	99,536,575	99,532,849
Amortisation for the year	20,873,036	20,856,524
Amortisation on written-off	(4,576,461)	(4,576,460)
31 December 2010	<u>115,833,150</u>	<u>115,812,913</u>
<b>Allowance for impairment loss</b>		
31 December 2009	43,000,000	43,000,000
Decrease during the year	(3,000,000)	(3,000,000)
31 December 2010	<u>40,000,000</u>	<u>40,000,000</u>
<b>Net book value</b>		
31 December 2009	<u>92,115,899</u>	<u>92,110,169</u>
31 December 2010	<u>130,201,480</u>	<u>129,864,210</u>

## 15. Leasehold rights

	(Unit: Baht)
	Consolidated and Separate financial statements
<b>Cost</b>	
31 December 2009	870,798,826
Acquisitions during the year	160,076,067
Written-off during the year	(870,573)
31 December 2010	<u>1,030,004,320</u>
<b>Accumulated amortisation</b>	
31 December 2009	167,799,328
Amortisation for the year	31,036,614
Amortisation on written-off	(223,730)
31 December 2010	<u>198,612,212</u>
<b>Net book value</b>	
31 December 2009	<u>702,999,498</u>
31 December 2010	<u>831,392,108</u>

## 16. Bank overdrafts and short-term loans from financial institutions

As at 31 December 2010 and 2009, the Company had overdraft lines from banks totaling Baht 175 million and Baht 155 million, respectively, and other credit facilities amounting to Baht 4,203 million and Baht 3,929 million, respectively.

## 17. Liabilities under financial lease agreements

	(Unit: Baht)			
	Consolidated and separate financial statements			
	Portion due within one year		Portion due over one year	
	2010	2009	2010	2009
Liabilities under financial lease agreements	5,145,326	3,996,042	7,429,996	5,995,160
Less: Deferred interest expense	(547,087)	(456,590)	(524,495)	(359,566)
Net	<u>4,598,239</u>	<u>3,539,452</u>	<u>6,905,501</u>	<u>5,635,594</u>

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

As at 31 December 2010, 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	5.15	7.43	12.58
Deferred interest expenses	<u>(0.55)</u>	<u>(0.52)</u>	<u>(1.07)</u>
Present value of future minimum lease payments	<u>4.60</u>	<u>6.91</u>	<u>11.51</u>

#### 18. Provision for employee benefits

Movements in the defined benefit obligation for the year ended 31 December 2010 are summarised below.

	(Unit: Baht)	
	Consolidated and separate financial statements	
	2010	2009
Defined benefit obligation at the beginning of year	63,515,819	51,536,769
Current service cost	12,212,971	9,556,822
Interest cost	2,985,243	2,422,228
Benefits paid	<u>(1,928,000)</u>	-
Defined benefit obligation at the end of year	<u>76,786,033</u>	<u>63,515,819</u>

The amounts recognised in the income statements for the year ended 31 December 2010 and 2009 are as follows:

	(Unit: Baht)	
	Consolidated and separate financial statements	
	2010	2009
Current service cost	12,212,971	9,556,822
Interest cost	2,985,243	2,422,228
Total benefit expenses	<u>15,198,214</u>	<u>11,979,050</u>
Benefit expenses recognised in:		
Selling expenses	3,991,941	3,596,118
Administrative expenses	8,224,174	5,690,985
Management benefit expenses	2,982,099	2,691,947

Principal actuarial assumptions at the valuation date were a discount rate 4.7% per annum, a future salary increase rate of 6.7% - 7.2% per annum, and an inflation rate of 2.0% per annum.

## 19. Debentures

	Consolidated and separate financial statements			
	Number of debentures (Unit)		Amount (Baht)	
	2010	2009	2010	2009
Unsecured debentures				
#1/2008	500,000	500,000	100,000,000	260,000,000
#2/2008	630,000	630,000	630,000,000	630,000,000
#1/2009	300,000	300,000	300,000,000	300,000,000
#1/2010	700,000	-	700,000,000	-
#2/2010	1,000,000	-	1,000,000,000	-
Total	<u>3,130,000</u>	<u>1,430,000</u>	2,730,000,000	1,190,000,000
Less: Current portion			(730,000,000)	(160,000,000)
Debentures - net of current portion			<u>2,000,000,000</u>	<u>1,030,000,000</u>

Details of the Company's debentures are as follows:

1. The Principal paid by installment of the Unsubordinated and Unsecured Debentures of Home Product Center Plc. No. 1/2008 Due 2011

Name of debentures	"The Principal paid by installment of the Unsubordinated and Unsecured Debentures of Home Product Center Plc. No. 1/2008 Due 2011"
Amount	Baht 500 million
Term	3 years, starting from date of issuance
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 ratio

During 2010, the Company repaid the principal of debenture amounting to Baht 40 million per each installment, totalling Baht 160 million, as stipulated in the terms of repayment of the above debentures, to the debenture holders.

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

Name of debentures	"The Unsubordinated and Unsecured Debentures of Home Product Center Plc. No. 2/2008 due 2011"
Amount	Baht 630 million
Term	3 years, starting from date of issuance
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 ratio and restriction on dividend payment

On 8 April 2009, the Annual General Meeting of the shareholders of the Company passed resolution approving the cancellation of debentures which previously approved for issuance and has not yet been offered at the amount of Baht 1,870 million, and the issuance and offering of debt instruments, details are as follows:

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

3. The Unsubordinated and Unsecured Debentures of Home Product Center Plc. No. 1/2009 due 2012

Name of debentures	“The Unsubordinated and Unsecured Debentures of Home Product Center Plc. No. 1/2009 due 2012”
Amount	Baht 300 million
Term	3 years, starting from date of issuance
Issued date	1 October 2009
Interest rate	4.00% per annum
Interest payment schedule	Quarterly in January, April, July and October, starting from 1 January 2010 and with the last payment due on 2 October 2012
Principal repayment	On the redemption date of 2 October 2012
Covenants	Maintenance of debt to equity ratio and restriction on dividend payment

4. During 2010, the Company issued the Unsubordinated and Unsecured Debentures of Home Product Center Plc., to be sold to institutional investor and/or major investor, in accordance with a resolution of the Annual General Meeting of the Company held on 8 April 2009. Details are as follows: -

4.1 The Unsubordinated and Unsecured Debentures of Home Product Center Plc.  
No. 1/2010 due 2013

Name of debentures	“The Unsubordinated and Unsecured Debentures of Home Product Center Plc. No. 1/2010 due 2013”
Amount	Baht 700 million
Term	3 years, starting from date of issuance
Issued date	8 January 2010
Interest rate	3.65% per annum
Interest payment schedule	Quarterly in January, April, July and October, starting from 8 April 2010 and with the last payment due on 8 January 2013
Principal repayment	On the redemption date of 8 January 2013
Covenants	Maintenance of debt to equity ratio and restriction on dividend payment

4.2 The Unsubordinated and Unsecured Debentures of Home Product Center Plc.  
No. 2/2010 due 2013

Name of debentures	“The Unsubordinated and Unsecured Debentures of Home Product Center Plc. No. 2/2010 due 2013”
Amount	Baht 1,000 million
Term	3 years, starting from date of issuance
Issued date	25 June 2010
Interest rate	3.00% per annum
Interest payment schedule	Semi-annually in June and December, starting from 25 December 2010 and with the last payment due on 25 June 2013
Principal repayment	On the redemption date of 25 June 2013
Covenants	Maintenance of debt to equity ratio and restriction on dividend payment



## 20. 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 month)	Interest Rate
		2010	2009		
1	1,500,000,000	-	675,000,000	Baht 25.00 million	*
2	845,000,000	-	305,320,000	Baht 15.52 million	**
	Total	-	980,320,000		
	Less: Current portion	-	(486,240,000)		
	Long-term loans - net				
	of current portion	-	494,080,000		

\* : At 4.15% - 4.25% per annum and from June 2010 onwards at MLR

\*\* : At MLR minus an agreed margin

1. The Company had pledged its assets and leasehold rights to secure loans (facility #1) (Note 13 and 15).
2. On 8 June 2007, the Company entered into a Baht 2,000 million loan agreement with a commercial bank (facility #2). The loans would be repaid within 78 monthly installments of not less than Baht 33 million each, and were subject to interest at the MLR minus the agreed margin. The loans were secured by a negative pledge over some of the Company's assets and certain leasehold rights.

On 28 July 2008, the Company and the bank jointly amended the loan agreement to decrease the facility from Baht 2,000 million to Baht 845 million. On 5 February 2009, the Company and the bank jointly amended certain conditions of use of loan facilities, including the term of repayment. The term of loan repayment had been changed from monthly payment in the amount of not less than Baht 33.00 million, within 61 months to monthly payment in the amount of not less than Baht 15.52 million, within 48 months. In September 2009, the Company had utilised the long-term loan facility in full.

3. The Company had to comply with certain covenants stipulated in the loan agreements such as the maintenance of debt to equity ratio.

In 2010, the Company repaid the loan principals of facility # 1 and facility # 2 in full and released the assets pledged against these loans.

## 21. Share capital

As discussed in Note 22, in 2010, the holders of the warrants of the Company exercised the warrants as follows:

2010	Warrants	Ordinary shares	Exercise price	Amount
	(Unit)	(Shares)	(Baht/share)	(Baht)
ESOP-W3				
- The first quarter	259,650	508,133	1.000	508,133
- The second quarter	9,480	18,551	1.000	18,551
ESOP-W4				
- The first quarter	2,265,025	4,376,019	2.059	9,010,391
- The second quarter	7,107,309	13,830,789	2.044	28,270,176
- The third quarter	3,010,695	5,858,788	2.044	11,975,386
- The fourth quarter	1,346,244	3,057,310	1.752	5,356,419
Total	13,998,403	27,649,590		55,139,056

As discussed in the above matter, the number of ordinary shares, the paid-up share capital and premium on ordinary shares are increased as follows:

	Number of ordinary shares	Paid-up share capital	Premium on ordinary shares
	(Thousand shares)	(Thousand Baht)	(Thousand Baht)
<u>Registered share capital</u>			
At the beginning of the year	3,794,213.9		
Increase in registered share capital to support the payment of a stock dividend and exercising of the rights of the warrants		632,391.6	
At the end of the year		4,426,605.5	

	Number of ordinary shares	Paid-up share capital	Premium on ordinary shares
	(Thousand shares)	(Thousand Baht)	(Thousand Baht)
<u>Issued and paid-up share capital</u>			
At the beginning of the year	3,703,926.2	3,703,926.2	594,317.4
Increase in capital from exercising of the rights of the warrants	27,649.6	27,649.6	27,489.5
Increase in capital from a payment of stock dividend	621,416.1	621,416.1	-
At the end of the year	<u>4,352,991.9</u>	<u>4,352,991.9</u>	<u>621,806.9</u>

On 19 August 2010, the Meeting of the Board of Directors of the Company approved the following resolutions which were proposed to the Extraordinary General Meeting of the shareholders for approval on 4 October 2010:

1. The following allocations of the Company's retained earnings and interim dividend payment:
  - Allocation of 5% of net income of January 2010 through June 2010, amounting to Baht 35.20 million, to the statutory reserve.
  - Payment of a stock dividend not exceeding 622.64 million shares with a par value of Baht 1.00 each, or a total of Baht 622.64 million, to the Company's shareholders. The rate of payment is 1 dividend share for every 6 existing shares, or Baht 0.1667 per share. Any existing shareholdings, after such allocation, with less than 10 shares are to receive a cash dividend of Baht 0.1667 per share.
  - Payment of a cash dividend of Baht 0.0193 per share, or not exceeding a total of Baht 72.10 million.

The total dividend was to be paid at a rate of Baht 0.186 per share within 29 October 2010.

2. Approval of the cancellation of the allocation of the ordinary shares from the exercise of the warrants allotted to employees of the Company (ESOP-W3) for which the exercise rights expired in April 2010 and reallocation of the remaining ordinary shares to be reserved for adjusting the rights of the warrants allotted to employees of the Company (ESOP-W4).

3. Approval of a Baht 632.39 million increase in registered capital, from Baht 3,794.21 million to Baht 4,426.61 million, by issuing an additional 632.39 million ordinary shares with a par value of Baht 1.00 each. The meeting approved the following allocations of the shares:

- 622.64 million shares allocated to support the payment of a stock dividend.
- 9.75 million shares reserved for the exercise of the warrants allotted to employees of the Company (ESOP-W4), of which the conversion rights will be adjusted when the stock dividend is paid.

In October 2010, the Company paid a cash dividend of Baht 71.96 million and allocated 621.42 million ordinary shares for stock dividend payment. It registered the increase in its paid-up share capital to Baht 4,349.94 million with the Ministry of Commerce on 21 October 2010. In addition, the Company filed an application with the Stock Exchange of Thailand (SET) to register the additional 621.42 million shares as listed securities. The SET approved the trading of the additional shares through the stock market to be effective from 28 October 2010. The Board of Directors is to consider and propose to the next shareholders' meeting the allocation of the remaining shares from the above stock dividend payment.

As of the date of the financial statements, the Company has recorded the Baht 621.42 million stock dividends paid, at its par value, as issued and paid-up share capital under the caption of shareholders' equity.

The Company registered the increase in its paid-up share capital to Baht 4,352.99 million with the Ministry of commerce on 8 December 2010.

## 22. Warrants

Details of the warrants of the Company which were issued without charge, are as follows: -

Type of warrant	Issue to	Issuance date of warrant	Number of warrants issued (Units)	Period of warrant	Exercise price per share	Exercise ratio per 1 warrant
ESOP-W3	Directors and employees of the Company	2 April 2007	15,000,000	3 years	Baht 1.00	1 ordinary shares
ESOP-W4	Directors and employees of the Company and its subsidiary	23 May 2008	50,000,000	5 years	Baht 3.98	1 ordinary shares

During 2008, the Company had issued ESOP-W4 to the Company's and subsidiary's employees. The issue of ESOP-W4 has affected the exercise of ESOP-W3 as follows:

Type of warrant	Exercise price per share	Exercise ratio per 1 warrant
ESOP-W3	Baht 1.00	1.007 ordinary shares

According to the resolution of the Annual General Meeting of Shareholders dated on 8 April 2009, that approve the Company to pay dividend at the rate of more than 55% of net income after income tax in 2008. As a result, the Company had to adjust the exercise price and exercise ratio the warrants allotted to employees of the Company (ESOP-W3 and ESOP-W4) in accordance with the prospectus for the offering of warrants as detailed of follows:

Type of warrant	Exercise price per share	Exercise ratio per 1 warrant
ESOP-W3	Baht 1.000	1.030 ordinary shares
ESOP-W4	Baht 3.912	1.017 ordinary shares

The adjusted exercise prices and exercise ratios of ESOP-W3 and ESOP-W4 were effective from 16 April 2009.

According to the resolution of the Extraordinary General Meeting of the shareholders of the Company dated 29 September 2009, that approve the Company to pay the interim dividend to the shareholders in the amount of 1,752.0 million ordinary shares. As a result, the Company needs to adjust the right of the warrants allotted to the employees of the Company (ESOP-W3 and ESOP-W4) in accordance with the prospectus for the offering of warrants in respect of the condition to adjust the right of warrants and the changes in prices.

Type of warrant	Exercise price per share	Exercise ratio per 1 warrant
ESOP-W3	Baht 1.000	1.957 ordinary shares
ESOP-W4	Baht 2.059	1.932 ordinary shares

The adjusted exercise prices and exercise ratios of ESOP-W3 and ESOP-W4 were effective from 12 October 2009.

According to the resolution of the Annual General Meeting of Shareholders dated on 7 April 2010, that approve the Company to pay dividend at the rate of more than 55% of net income after income tax in 2009. As a result, the Company had to adjust the exercise price and exercise ratio of the warrants allotted to employees of the Company (ESOP-W4) in accordance with the prospectus for the offering of warrants as detailed below.

<u>Type of warrant</u>	<u>Exercise price per share</u>	<u>Exercise ratio per 1 warrant</u>
ESOP-W4	Baht 2.044	1.946 ordinary shares

The adjusted exercise prices and exercise ratios of ESOP-W4 were effective from 12 April 2010.

According to the resolution of the Extraordinary General Meeting of the shareholders of the Company dated 4 October 2010, that approve the Company to pay an interim stock dividend to the shareholders of a total of not more than 622.64 million ordinary shares. As a result, the Company needs to adjust the rights of the warrants allotted to the employees of the Company (ESOP-W4) in accordance with the condition in the prospectus for the offering of warrants to adjust the rights of warrants and changes in prices.

<u>Type of warrant</u>	<u>Exercise price per share</u>	<u>Exercise ratio per 1 warrant</u>
ESOP-W4	Baht 1.752	2.271 ordinary shares

The adjusted exercise prices and exercise ratios of ESOP-W4 are effective from 12 October 2010.

During 2010, the movements of warrants of the Company are as follows:

(Unit: Unit)				
Type of warrant	Number of warrants outstanding as at 31 December 2009	Number of warrants exercised during the year	Number of warrants expired during the year	Number of warrants outstanding as at 31 December 2010
ESOP-W3	580,931	(269,130)	(311,801)	-
ESOP-W4	36,148,625	(13,729,273)	-	22,419,352

### 23. 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, until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

### 24. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Million Baht)			
	Consolidated financial		Separate financial	
	statements		statements	
	2010	2009	2010	2009
Employee remuneration	1,786	1,437	1,786	1,437
Premises expenses	918	820	918	820
Depreciation and amortisation	860	805	856	800
Sales promotion and operation support expenses	974	784	946	758
Financial costs	103	114	105	114
Tax expenses	727	558	722	557
Changes in finished goods	(917)	(265)	(917)	(265)

### 25. 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, after adjusting the number of ordinary shares in proportion to the change in the number of shares as a result of the increase in share capital arising from the issue of a stock dividend of 621.42 million shares on 21 October 2010, as discussed in Note 21. The number of ordinary shares of the prior year has been adjusted as if the stock dividend had been issued at the beginning of the earliest period reported.

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, after adjusting the number of ordinary shares in proportion to the change in the number of shares as a result of the increase in share capital arising from the issue of a stock dividend, as discussed in the above paragraph, plus the weighted average number of ordinary shares that 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 year 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 year ended 31 December						
	Net income (Baht)		Weighted average number of ordinary shares (shares)		Earnings per share (Baht)	
	2010	2009 (Restated)	2010	2009 (Restated)	2010	2009 (Restated)
<b>Basic earnings per share</b>						
Net income attributable to equity holders						
of the parent	1,638,429,270	1,130,878,380	4,339,764,479	4,313,635,897	0.38	0.26
Effect of dilutive potential ordinary shares	-	-	48,535,285	48,733,170		
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders						
assuming the conversion of warrants to ordinary shares	1,638,429,270	1,130,878,380	4,388,299,764	4,362,369,067	0.37	0.26
<b>Separate financial statements</b>						
For the year ended 31 December						
	Net income (Baht)		Weighted average number of ordinary shares (shares)		Earnings per share (Baht)	
	2010	2009 (Restated)	2010	2009 (Restated)	2010	2009 (Restated)
<b>Basic earnings per share</b>						
Net income attributable to equity holders						
of the parent	1,627,211,784	1,126,215,560	4,339,764,479	4,313,635,897	0.37	0.26
Effect of dilutive potential ordinary shares	-	-	48,535,285	48,733,170		
<b>Diluted earnings per share</b>						
Net income of ordinary shareholders						
assuming the conversion of warrants to ordinary shares	1,627,211,784	1,126,215,560	4,388,299,764	4,362,369,067	0.37	0.26



## 26. 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 goods and materials for construction, addition, refurbishment and renovation 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.

## 27. 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 2010, the Company contributed Baht 34.25 million (2009: Baht 30.24 million) to the fund.

## 28. Dividend paid

	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)	Paid on
Interim stock dividend for 2010	Meeting of the Board of Directors on 19 August 2010 and Extraordinary General Meeting of the shareholders on 4 October 2010	<u>621.42</u>	<u>0.1667</u>	29 October 2010
Interim dividend for 2010	Meeting of the Board of Directors on 19 August 2010 and Extraordinary General Meeting of the shareholders on 4 October 2010	<u>71.96</u>	<u>0.0193</u>	29 October 2010
Final dividend for 2009	Annual General Meeting of the shareholders on 7 April 2010	<u>593.32</u>	<u>0.1600</u>	30 April 2010

	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)	Paid on
Interim stock dividend for 2009	Extraordinary General Meeting of the shareholders on 29 September 2009	1,752.01	0.9000	27 October 2009
Interim dividend for 2009	Extraordinary General Meeting of the shareholders on 29 September 2009	194.67	0.1000	27 October 2009
Final dividend for 2008	Annual General Meeting of the shareholders on 8 April 2009	676.78	0.3500	28 April 2009

## 29. Commitments and contingent liabilities

29.1 As at 31 December 2010 and 2009, the Company had commitments totaling Baht 89.16 million and Baht 66.65 million, respectively, to commercial banks in respect of guarantees provided for leasing, purchases of goods or hire of work, as bonds with State Enterprise.

29.2 As at 31 December 2010, the Company had commitments under letters of credit opened with two commercial banks, amounting to USD 3.99 million (2009: USD 3.53 million).

## 30. Commitments under long-term lease agreements

### 30.1 Long-term lease agreements - as lessee

- a) The Company has entered into 16 land lease agreements. The terms of the agreements are generally between 24 to 30 years and they are non cancelable, except with the consent of the counterparties.

As at 31 December 2010, future minimum lease payments required under these operating leases contracts were as follows:

	<u>Million Baht</u>
Payable within:	
1 year	48.01
2 to 5 years	221.92
Thereafter	<u>1,144.35</u>
	<u>1,414.28</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 2010, future minimum lease payments required under these operating leases contracts were as follows:

	<u>Million Baht</u>
Payable within:	
1 year	84.67
2 to 5 years	363.70
Thereafter	<u>1,236.38</u>
	<u>1,684.75</u>

### **30.2 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 a total of rental received in advance amounting to Baht 640.0 million. The terms of the agreements are until 2033 - 2036. The Company recognises this income systematically on a straight-line basis over the useful lives of the leaseholds.

The outstanding balance of rental received in advance, net of recognised rental income, as of 31 December 2010 was Baht 521.2 million (2009: Baht 556.4 million).

## **31. Financial instruments**

### **31.1 Financial risk management**

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable and other receivables, trade accounts payable and other payables, short-term loans and debentures. 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 and debentures. 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 2010, classified by type of interest rate, are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

Consolidated financial statements						
Fixed interest rates						
	Within	Over	Floating	Non- interest		Interest
	1 year	1-5 years	interest rate	bearing	Total	rate
	(Baht)					(% p.a.)
<u>Financial assets</u>						
Cash and cash equivalents	1,195,000,000	-	34,843,680	187,401,431	1,417,245,111	0.25 - 1.60
<u>Financial liabilities</u>						
Debentures	730,000,000	2,000,000,000	-	-	2,730,000,000	3.00 - 5.50
Separate financial statements						
Fixed interest rates						
	Within	Over	Floating	Non- interest		Interest rate
	1 year	1-5 years	interest rate	bearing	Total	rate
	(Baht)					(% p.a.)
<u>Financial assets</u>						
Cash and cash equivalents	1,195,000,000	-	10,075,107	186,669,033	1,391,744,140	0.25 - 1.60
<u>Financial liabilities</u>						
Short-term loans from						
related party	85,000,000	-	-	-	85,000,000	1.50 - 1.85
Debentures	730,000,000	2,000,000,000	-	-	2,730,000,000	3.00 - 5.50
	815,000,000	2,000,000,000	-	-	2,815,000,000	

### **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 2010 are summarised below.

Foreign currency	Financial liabilities	Average exchange rate as at 31 December 2010
	(Dollar)	(Baht per dollar)
USD	488,141	30.2963

### **31.2 Fair values of financial instruments**

Since some of the Company's financial assets and liabilities are short-term in nature and debentures bear interest at rates close to market rate, 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.

### **32. Capital management**

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

The Company manages its capital position with reference to its debt-to-equity ratio in order to comply with a condition in the stipulations of debentures, which requires the Company to maintain a debt-to-equity ratio of not more than 1.75:1.

No changes were made in the objectives, policies or processes during the years end 31 December 2010 and 2009.

### **33. Subsequent event**

On 16 February 2011, the Meeting of the Board of Directors of the Company approved the dividend payment from operating results of July 2010 to December 2010 as follows.

- Payment of a stock dividend to the Company's shareholders. The rate of payment is 1 dividend share for every 6 existing shares, or Baht 0.1667 per share.
- Payment of a cash dividend of Baht 0.0193 per share.

The total dividend is to be paid at a rate of Baht 0.186 per share within 29 April 2011.

However, the Company's Board of Directors' meeting, held on 19 August 2010, approved the resolution to pay interim dividend to the shareholders as stock dividend of Baht 0.1667 per share and cash dividend of Baht 0.0193 per share. This was proposed to the Extraordinary General Meeting of the shareholders and approved on 4 October 2010. The dividend was paid on 29 October 2010. Such interim dividend per share after adjusting the issuance of interim stock dividend would be Baht 0.1594 per share.

As a result, total dividend per share for the year 2010 is Baht 0.3454 per share.

The above dividend payment will be proposed to the Annual General Meeting of the Company's shareholders for approval.

### 34. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2009 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity except for the effect of the change in accounting policy discussed in Note 6. The reclassifications are as follows:

	(Unit: Baht)	
	<u>Consolidated financial statements</u>	
	<u>As reclassified</u>	<u>As previously reported</u>
Trade accounts receivable - net	144,584,882	128,785,030
Other receivables - net	347,794,276	356,794,276
Accrued expenses	422,114,603	365,409,521
Advances received from customers	430,697,315	423,897,463
Other current liabilities	165,356,564	222,061,646

	(Unit: Baht)	
	<u>Separate financial statements</u>	
	<u>As reclassified</u>	<u>As previously reported</u>
Trade accounts receivable - net	139,866,504	124,066,652
Other receivables - net	350,048,810	359,048,810
Accrued expenses	404,673,798	347,968,716
Advances received from customers	430,697,315	423,897,463
Other current liabilities	163,453,254	220,158,336

### **35. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 16 February 2011.