

Metrostar Property Public Company Limited

Notes to financial statements

For the years ended 31 December 2010 and 2009

1. Corporate information

Metrostar Property Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in real estate business and residential building rental business. The registered office of the Company is at 1758/4 Sukhumvit Road, Bangjak, Prakhong, Bangkok. The Company has a branch located at 1 Soi Suanplu, Sathorn Road, Thungmahamek, Sathorn, Bangkok.

2. Basis of preparation

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions 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 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.

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 will become effective in 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 will become effective in 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 19 Employee Benefits

This accounting standard requires employee benefits to be recognised an expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefit using actuarial techniques. Currently, the Company accounts for such employee benefits when they are incurred.

At present, the management is evaluating the impact on the financial statements in the year when this standard is 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 18 (revised 2009) Revenue

This accounting standard requires entities to recognise revenue from sale of goods, which includes real estate developed for sale, when significant risks and rewards are transferred to the buyer. Currently, the Company can elect to use the percentage-of-completion method in recognising revenue from real estate sales. However, the change in this accounting policy in 2011 will have no the effect of the beginning balance of retained earnings because the Company had already recognised the revenue from real estate from all projects and transferred the right to its customers within 2010.

4. Significant accounting policies

4.1 Revenue recognition

Sales of land and houses

Sales of land and houses are recognised as revenue on the percentage of completion method. The Company recognises revenue when sales contracts have been executed, initial payments have been received up to a certain level and the progress of completed construction work is more than 10% of each project. The Company will cease recognising revenue when more than 3 consecutive installments are overdue and the percentage of completed work exceeds the installments due. The percentage of completion is measured by the proportion of actual development costs incurred up to the end of the period and the total anticipated development cost to be incurred to completion, excluding the cost of land.

Sales of condominium units

Sales of condominium units are recognised as revenue on the percentage of completion method. The Company recognises revenue when sales contracts have been executed for units equivalent to not less than 40% of the area opened for sales, initial payments have been received up to a certain level and the progress of completed construction work is more than 10% of each project. The Company will cease recognising revenue when more than 3 consecutive installments are overdue and the percentage of completed work exceeds the installments due. The percentage of completion is measured by the proportion of actual development costs incurred up to the end of the period and the total anticipated development cost to be incurred to completion, excluding the cost of land.

Rental and services income

Rental and services income from units in residential buildings are recognised on an accrual basis. Recognised revenue does not include valued added tax and state net of discounts.

Interest income

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

4.2 Cost of land and houses sold and cost of condominium sold

In determining the cost of sales of land and houses and cost of sales of condominium units, the total land and houses and condominium development costs (after recognising the cost incurred to date) are attributed to units of land and houses already sold on the basis of salable area and condominium units already sold on the basis of the sale value, and then recognised as costs in the income statement on the percentage of completion basis.

Development costs are stated at cost, consisting of cost of land, design fees, utilities, construction and related interest.

4.3 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.

4.4 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.

4.5 Land and construction in progress

Land and construction in progress are stated at cost less allowance for loss on diminution in value of projects (if any). The details of cost calculation are as follows: -

- | | | |
|--------------------------|---|--|
| Land | - | The Company records cost of land using the weighted average method, calculating it separately for each project. |
| Construction in progress | - | Construction in progress consists of the cost of construction, public utility costs and interest capitalised to cost of projects. The Company records cost of construction and public utilities based on the actual cost incurred. |

4.6 Property, plant and equipment / Depreciation

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

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

Building and improvements	- 20 and 40 years
Furniture, fixture and office equipment	- 5 years
Motor vehicles	- 5 years
Showroom and sale office	- 5 years

Depreciation is included in determining income.

No depreciation is provided on land and assets under construction.

The cost of linen, crockery, glass, silver and kitchen utensils purchased to meet the normal requirements of the serviced apartment operations have been regarded as a base stock and subsequent purchases are expensed when incurred.

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 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are occurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.8 Intangible assets

Intangible assets acquired are recognised at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Computer softwares	5 years

4.9 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 associated companies and 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.

4.10 Long-term leases

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

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

4.11 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 rate ruling at the balance sheet date.

Gains and losses on exchange are included in determining income.

4.12 Impairment of assets

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

4.13 Employee benefits

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

The Company issued warrants to purchase the ordinary shares to its directors and employees. The transaction will be recorded in the financial statements when the warrants are exercised.

4.14 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.

4.15 Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on the 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 from these estimates. 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.

Impairment of land and construction in process

The Company treats land and construction in process as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost. The management determines the devaluation of such land and construction in process based on net realisable value. The determination of what is “significant” and such devaluation requires the management to exercise judgment.

Project development costs estimation

In calculating cost of land and houses sold and cost of condominium sold, the Company has to estimate all project development costs, comprising land and land improvement costs, design and construction costs, public utility costs, borrowing costs and other related costs. The management estimates these costs based on their business experience and revisits the estimations on a periodical basis or when the actual costs incurred significantly vary from the estimated costs.

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 amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Intangible assets

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgment to assess of the results of the litigation and and recorded certain contingent liabilities as at the balance sheet date. However, actual results could differ from the estimates.

6. Cash and cash equivalents / Current investment

Cash and cash equivalents consist of

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Cash	144,900	153,000
Bank deposits	18,003,949	17,095,929
Bills of exchange	274,000,000	-
Total	<u>292,148,849</u>	<u>17,248,929</u>

As at 31 December 2010, bank deposits in saving accounts, fixed deposits and bills of exchange carried interests between 0.50% and 2.00% per annum (2009: between 0.50% and 1.25% per annum).

Current investment of Baht 150 million represents a bill of exchange which carried interest at the rate of 2.25% per annum and mature in June 2011.

7. Trade accounts receivable

	2010		2009	
	Total value of contract signed (Million Baht)	Percentage to total projected sale value (%)	Total value of contract signed (Million Baht)	Percentage to total projected sale value (%)
Saint Louis Grand Terrace	-	-	1,036	100
Baan Ravipa	352	100	349	98
Metro Avenue Sukhumvit 66*	-	-	9	1
Metro Avenue Ratchayothin*	-	-	10	-

Note * The Company's management approved a plan to slow down work on these projects, beginning December 2008, and sold the land of these projects in the year 2010, as described in Note 8.

The trade accounts receivable classified by types of business are as follows: -

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Accounts receivable - real estate business		
Installments due	351,789,424	1,381,392,771
Less: Collections	(351,789,424)	(1,359,340,671)
Overdue installment receivables	-	22,052,100
Accounts receivable - residential building rental business		
	5,527,832	6,384,154
Total	5,527,832	28,436,254
Less: Allowance for doubtful accounts	(32,123)	(42,430)
Accounts receivable - net	<u>5,495,709</u>	<u>28,393,824</u>

The balances of trade accounts receivable as at 31 December 2010 and 2009, aged on the basis of due date, are summarised below.

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
<u>Age of receivables</u>		
Not yet due	5,501,232	12,396,864
Past due:		
Up to 30 days	26,600	4,646,590
31 - 60 days	-	3,518,700
61 - 90 days	-	7,874,100
Total	5,527,832	28,436,254
Less: Allowance for doubtful accounts	(32,123)	(42,430)
Accounts receivable - net	<u>5,495,709</u>	<u>28,393,824</u>

8. Land and construction in progress

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Land and land development	692,759,003	1,050,331,953
Construction in progress	263,260,304	938,538,115
Expenses related to projects	23,398,221	61,785,079
Interest cost	65,278,622	130,404,384
Total	<u>1,044,696,150</u>	<u>2,181,059,531</u>
Less: Provision for loss on diminution		
in value of projects	-	(36,800,000)
Net	<u>1,044,696,150</u>	<u>2,144,259,531</u>
Less: Amount charged to earnings for units		
already sold	(360,364,969)	(1,121,179,295)
Transfer out due to the sell of slow		
down projects during the year	(647,531,181)	-
Reverse provision for loss on diminution		
in value of projects	(36,800,000)	(32,912,467)
Transfer to non-current assets		
due to the slow down projects	-	(315,707,833)
	<u>-</u>	<u>674,459,936</u>

In 2009, the Company included borrowing costs of Baht 1.5 million as cost of “Land and construction in progress”. The weighted average rate used to determine the amount of borrowing cost eligible for capitalisation was interest rates of the second and third loans, as discussed in Note 15.

In December 2008, the Company’s management approved a plan to slow down the construction of two residential projects because of the negative economic climate at that time and a lack of progress with sales of the two projects. The Company sent letters to notify its contractors and customers of the decision, and offering the customers a full refund of their all booking deposits, contract fees and installments received. However, on 29 December 2009, the Company entered into an agreement to sell and to purchase land and construction thereon with a company, whereby the Company is to sell land and construction thereon of the Metro Avenue Ratchayothin Project at the price of Baht 680.9 million. The Company received a deposit for the sale of land of Baht 20 million on the agreement date, transferred ownership of the land to the purchaser on 7 January 2010, and recognised a loss from the sale of land

(net of selling expenses) amounting to Baht 36.87 million. The Company's management has therefore decided to record provision for loss on diminution in value of the project of Baht 36.8 million in the account "Other expenses" the income statement of 2009.

In addition, on 8 October 2010, the Company entered into an agreement to sell and to purchase land and construction thereon of the Metro Avenue Sukhumvit 66 Project at the price of Baht 512.96 million. The Company received a deposit for the sale of land of Baht 51.3 million on the agreement date, transferred ownership of the land to the purchaser on 15 December 2010, and recognised a gain from the sale of land (net of selling expenses) amounting to Baht 176.76 million.

9. Advance received from customers

	<u>2010</u>	<u>2009</u>
		(Unit: Baht)
Advance received - real estate business		
Installments due	351,789,424	1,381,392,771
Less: Revenue recognised	<u>(351,789,424)</u>	<u>(1,356,091,971)</u>
	-	25,300,800
Advance received - residential building rental business	<u>5,178,858</u>	<u>2,599,619</u>
Total	<u>5,178,858</u>	<u>27,900,419</u>
The balance comprise:		
Advance received from customers	<u>5,178,858</u>	<u>27,900,419</u>

Advance received from customers represent cash receipt from customers which have not yet been recognised as revenues.

10. Restricted bank deposits

These represent fixed deposits pledged with the bank to secure credit facilities.

11. Property, plant and equipment

(Unit: Baht)

	Land	Building and improvements	Office equipment	Motor vehicles	Showroom and sale office	Furniture, fixture and equipment supplies	Total
Cost							
31 December 2009	227,517,276	1,413,756,483	5,727,256	2,099,000	14,105,808	142,680,897	1,805,886,720
Additions	-	7,250,060	-	-	-	109,803	7,359,863
Disposals	-	-	(277,815)	(2,099,000)	(13,266,708)	(274,492)	(15,918,015)
Transfer in/out	-	-	-	-	(839,100)	839,100	-
31 December 2010	227,517,276	1,421,006,543	5,449,441	-	-	143,355,308	1,797,328,568
Accumulated depreciation							
31 December 2009	-	30,753,460	3,968,987	2,098,999	5,171,611	21,094,058	63,087,115
Depreciation for the year	-	37,474,590	675,254	-	927,052	23,446,233	62,523,129
Depreciation on disposals	-	-	(236,843)	(2,098,999)	(5,519,766)	(137,283)	(7,992,891)
Transfer in/out	-	-	-	-	(578,897)	578,897	-
31 December 2010	-	68,228,050	4,407,398	-	-	44,981,905	117,617,353
Net book value							
31 December 2009	227,517,276	1,383,003,023	1,758,269	1	8,934,197	121,586,839	1,742,799,605
31 December 2010	227,517,276	1,352,778,493	1,042,043	-	-	98,373,403	1,679,711,215
Depreciation for the year							
2009							53,939,790
2010							62,523,129

As at 31 December 2010, certain 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 7.3 million (2009: Baht 5.1 million).

The Company has mortgaged property, plant and equipment and intangible assets amounting to approximately Baht 1,680.4 million (2009: Baht 1,734.6 million) as collateral for long-term credit facilities granted by commercial banks.

12. Intangible assets

	(Unit: Baht)
	Computer softwares
	<hr/>
Cost	
31 December 2009	7,893,335
Additions	80,296
	<hr/>
31 December 2010	7,973,631
	<hr/>
Accumulated amortisation	
31 December 2009	2,020,288
Amortisation for the year	1,584,349
	<hr/>
31 December 2010	3,604,637
	<hr/>
Net book value	
31 December 2009	5,873,047
	<hr/> <hr/>
31 December 2010	4,368,994
	<hr/> <hr/>
Amortisation for the years included in administrative expenses	
2009	1,171,998
	<hr/>
2010	1,584,349
	<hr/>

13. Short-term loans from financial institutions

Short-term loans from bank amounting to Baht 19 million carry interest at the rate of 3.15% per annum and are payable within January 2011. The loans secured by all land and construction thereon of the Company, fixed deposits and the directors' land and construction thereon, and guaranteed by the Company's directors. However, the Company had repaid these loans in January 2011.

14. Related party transactions

During the years, the Company 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)		
	<u>2010</u>	<u>2009</u>	<u>Transfer pricing policy</u>
Office rental expenses	982,800	1,965,600	Baht 163,800 per month

The balances of the accounts as at 31 December 2010 and 2009 between the Company and those related companies are as follows:

		(Unit: Baht)	
	<u>Relationship</u>	<u>2010</u>	<u>2009</u>
Trade accounts payable			
MTS Engineering and Rental Co., Ltd.	Common shareholders and common directors	-	4,026,556
Accrued expenses			
Metro Machinery Co., Ltd.	Common shareholders and common directors	982,800	2,293,200

Directors and management's benefits

In 2010, the Company had salaries, bonuses, meeting allowances and gratuities of its directors and management recognised as expenses totaling Baht 12.4 million (2009: Baht 11.5 million).

15. Long-term loans

				(Unit: Baht)	
Loan	Interest rate (% p.a.)	Repayment schedule	2010	2009	
1	MLR-0.75*	Repayment installment in 2016	996,000,000	1,022,000,000	
2	MLR	Repayment installments in 2010	-	395,000,000	
3	MLR-1	Loans amounting to Baht 26 million are to be repaid in installment every 2 months, from January 2007 to May 2007, and the remaining balance are to be repaid within 2010	-	150,000,000	
Total			996,000,000	1,567,000,000	
Less: Current portion			(46,000,000)	(571,000,000)	
Long-term loans, net			950,000,000	996,000,000	

Note * Interest rate for loan facility of Baht 694 million is MLR-0.75% per annum and interest rate of loan facility of Baht 335 million is MLR-0.50% per annum.

The loans are secured by mortgage of all project land and construction thereon, and guaranteed by the Company's directors.

The loan agreement contains covenants as specified in the agreement that, among other things, require the Company to maintain debt to equity ratio according to the agreement.

16. Warrant to allocated to the directors and employees of the Company (ESOP)

On 15 September 2004, the General Meeting of shareholders of the Company approved the issue of 10 million registered, non-transferable warrants free of charge to its directors and employees. These warrants are exercisable at a price of Baht 5.95 per share in a ratio of 1 warrant to 1 new ordinary share and are to cover a period of 5 years from the issue date. Warrant holders can exercise not more than 25% of total warrants allotted, every 3 months beginning 15 months from the issue date (30 April 2007).

On 26 October 2005, the Company issued 10 million warrants to its directors and employees.

A resolution of a meeting of the Board of Directors of the Company held on 30 March 2006 and the Annual General Meeting of the shareholders of the Company held on 25 April 2006, approved the change of the exercise price of the warrants to its directors and employees, as a result of the change of par value. There are 20 million warrants and the new exercise price is Baht 2.975 per share, while the exercise ratio remains 1 warrant to 1 new ordinary share.

As at 26 October 2010, there are 3.1 million warrants remained unexercised which were expired during the year.

17. 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% of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

During the year 2010, the Company set aside Baht 3,100,000 to the statutory reserve.

18. Expenses by nature

Significant expenses by nature are as follow:

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
Purchase of land and payment of construction		
during the year	8,118,169	7,600,844
Changes in land and construction in progress	(1,026,967,769)	(290,755,035)
Salary, wages and other employee benefits	41,889,679	40,046,692
Depreciation	62,523,129	53,939,790
Management fee	5,980,730	5,697,905
Loss on diminution in value of projects	-	36,800,000
Amortisation expenses	1,584,349	1,171,998
Rental expenses from operating lease agreements	1,804,382	2,207,893
Provision for loss on contingent liabilities	1,250,000	-

19. Corporate income tax

The Company was not liable to corporate income tax for the year 2010 due to tax losses brought forward from previous year.

20. Earnings per share

Basic 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.

There was no disclosure of diluted earnings per share in the financial statements for the years ended 31 December 2010 and 2009 since the exercise price exceeded the fair value of the Company's ordinary shares and the effect of diluted earnings per share was antidilutive, respectively.

21. Segment information

The Company's segmented financial information, divided between the real estate business and residential building rental business, as presented in the financial statements for the years ended 31 December 2010 and 2009 is as follows: -

(Unit: Million Baht)

	For the years ended 31 December					
	Real estate business		Residential building rental business		Total	
	2010	2009	2010	2009	2010	2009
Revenues from external customers	31.7	260.3	110.2	76.8	141.9	337.1
Segment loss	(17.1)	(110.1)	(86.1)	(91.0)	(103.2)	(201.1)
Unallocated income and expenses:						
Gain from sales of the land, construction in progress and equipment					175.6	-
Other income					2.3	9.9
Other expense					-	(0.7)
Management benefit expenses					(12.4)	(11.4)
Finance cost					(0.8)	(3.9)
Net income (loss) for the year					61.5	(207.2)

(Unit: Million Baht)

	As at 31 December					
	Real estate business		Residential building rental business		Total	
	2010	2009	2010	2009	2010	2009
Land and construction in process - net	-	990.2	-	-	-	990.2
Property, plant and equipment - net	3.0	13.1	1,676.7	1,729.7	1,679.7	1,742.8
Intangible assets - net	0.6	0.9	3.8	5.0	4.4	5.9
Unallocated assets					513.8	99.7
Total assets					2,197.9	2,838.6

22. 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 rates of 2-5% of basic salary. The fund, which is managed by Thanachart Fund Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2010, the Company contributed Baht 152,055 (2009: Baht 285,570) to the fund.

23. Commitments and contingent liabilities

23.1 Capital commitments

As at 31 December 2010, the Company had capital commitments of approximately Baht 6 million, relating to the design and interior design for the projects.

23.2 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of equipment and service agreements. The terms of the agreements are generally between 1 and 4 years.

As at 31 December 2010, future minimum lease payments required under these non-cancelable contracts were as follows:

	<u>Million Baht</u>
Payable within:	
Less than 1 year	2.4
2 to 4 years	0.1

23.3 Long-term service commitments

On 24 January 2007, the Company entered into management agreements with a group company of a well known international standard hotel chain, appointing the hotel group to manage the Company's serviced apartment. Under the conditions of the agreements, the Company is to pay remuneration to the hotel group at rates as stipulated in the agreements. The term of the serviced apartment management agreements are for 30 years, counting from commencement of operations, extendible for a further period of at least 10 years dependent upon certain conditions specified in the agreements being met. The fees for year 2010 amounted to Baht 6.0 million.

23.4 Litigation

- a) In 2009, the Company's customer sued the Company for the refund of payments totaling Baht 0.5 million made for a condominium unit in the Company's project. The lawsuit is currently being heard by the appeal court. However, the management believe that there will be no material impact to the Company, therefore no provision for contingent liability has been set aside in the accounts.
- b) In 2009, the Company was sued by the juristic person of Saint Louis Grand Terrace to transfer title deed servitude or pay compensation of Baht 48.6 million and to provide parking areas or pay compensation of Baht 105.8 million, included payment of building maintenance compensation of Baht 4.0 million. The Court of First Instance dismissed the case in December 2010.

- c) During the current year, five customers of the Company sued the Company for pay compensation of Baht 8.6 million due to cancellation the agreements to sell and to purchase condominium units. These customers have already paid booking deposits, contract fees and installments of Baht 2.9 million and these amounts have been pledged with the court. The Company has set aside provision for loss in respect of the contingent liabilities of Baht 1.25 million in the 2010 financial statements.

24. Financial instruments

24.1 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, current investment, trade accounts receivable/payable, and short-term 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. 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 concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the balance sheets.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks and short-term and long-term borrowings. However, since most of the Company's financial assets and liabilities bear floating interest rates or 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 rates 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.

	Fixed interest			Total	Interest rate (% p.a.)
	rates (within 1 year)	Floating interest rate	Non-interest bearing		
	(Million Baht)				
Financial assets					
Cash and cash equivalents	287.4	-	4.7	292.1	0.50 - 2.00
Current investment	150.0	-	-	150.0	2.25
Trade accounts receivable					
- net	-	-	5.5	5.5	-
Restricted bank deposits	40.0	-	-	40.0	1.50
	<u>477.4</u>	<u>-</u>	<u>10.2</u>	<u>487.6</u>	
Financial liabilities					
Short-term loans from					
financial institutions	19.0	-	-	19.0	3.15
Trade accounts payable	-	-	15.2	15.2	-
Long-term loans	-	996.0	-	996.0	MLR - 0.5
					MLR - 0.75
	<u>19.0</u>	<u>996.0</u>	<u>15.2</u>	<u>1,030.2</u>	

24.2 Fair values of financial instruments

For financial assets and liabilities which have short-term maturity and long-term loans which carrying interest approximate to the market rate, their carrying amounts in the balance sheet approximate their fair value.

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.

25. Capital management

The primary objectives of the Company's capital management is to ensure that it has an appropriate financing 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 a long-term loan agreement with a financial institution, which requires the Company to maintain a debt-to-equity ratio of not more than 2.5:1.

26. 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 loss or shareholders' equity. The reclassifications are as follow:

	(Unit: Baht)	
	<u>As reclassified</u>	<u>As previously reported</u>
Value added tax refundable	6,847,456	-
Deposits - equipment	-	753,326
Other current assets	3,233,975	9,328,105

27. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 24 February 2011.