

# ANNUAL REPORT 2010



TICKER SYMBOL : CAWOW

California WOW Xperience Public Company Limited



سورة ما جودت  
WOW My Club!

• Chaengwattana • Chiangmai • Esplanade • Ekkamai • Pinklao • Ratchayothin  
• Siam Paragon • Silom • Sukhumvit 23 • Pattaya

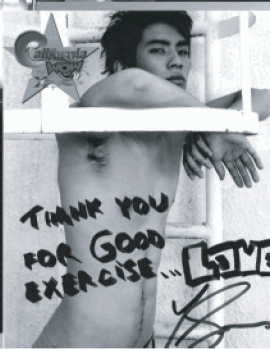
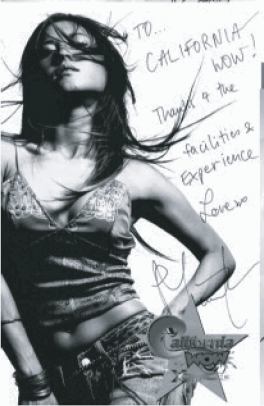
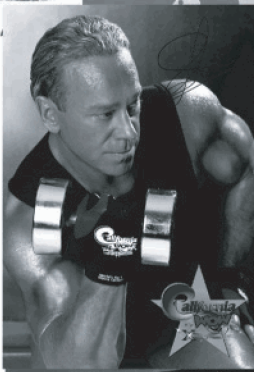
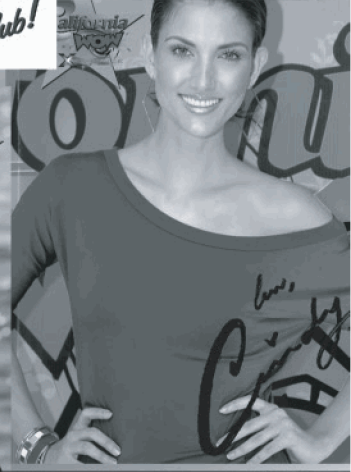
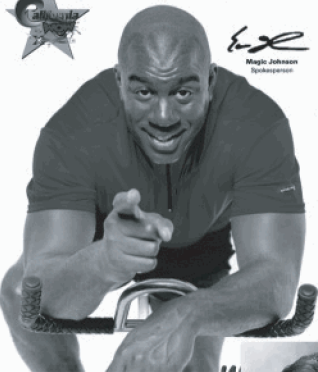
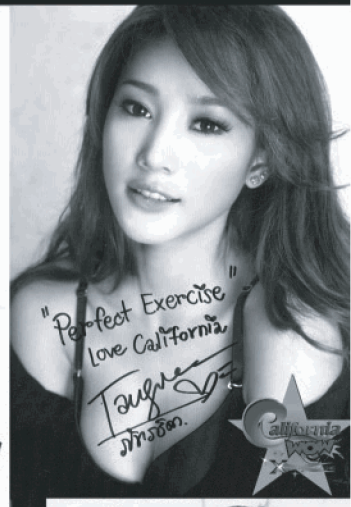


Feel Like Celebrities!  
Energy Healthy Sexy Trendy&Cool  
Get Your Dream Body!  
**Attractive**  
Shape Up Your Body! Love Your Body!



All Our Member Are

# Stars





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## Financial Highlight

(Unit: Baht Millions)

Audited Financial Statements ended 31 December

	2008	2009	2010
Total Revenues	1,761.44	1,462.31	1,064.29
Total Expenses	1,843.95	1,700.15	1,460.00
Income (Loss) before Interest and Income Tax expenses	(82.51)	(237.84)	(395.71)
Net Income (Loss)	(120.60)	(274.09)	(466.69)
Total Assets	1,896.91	1,470.03	1,110.59
Total Liabilities	1,490.09	1,337.30	1,331.88
Equity	406.82	132.73	(221.29)
Paid up Capital	300.00	300.00	550.37
Number of paid up ordinary shares (Millions)	300.00	300.00	550.37
Net Earnings (loss) per share (Baht per share)	(0.41)	(0.91)	(0.89)
Net profit (loss) margins	(7%)	(19%)	(44%)



## Message from the Chairman

To        The Shareholders of  
            California WOW Xperience Public Company Limited (PLC)

The year 2010 was our most challenging year from an operational perspective due to economic and political uncertainties impacting the country leading to lower discretionary consumer spending than in previous years.

California WOW Xperience PLC ("Company") generated Baht 1.031 billion in total revenue for the year 2010 and the Company reported a net loss of Baht 466.7 million which included baht 110.8 million in non-cash losses attributable to provision of asset impairment and asset write-offs. Consequently, the Company remained proactive to streamline its cost base by reducing structural operating costs by baht 240.2 million on a year-over-year basis.

The Company closed the year with total shareholder equity of Baht -221.3 million.

In 2010 the Company was adversely impacted by the political unrest situation which resulted in lower revenues as consumer spent less on fitness activities. Our active membership base increased by 1% year-over-year to approximately 161,000 active members at 2010 year-end.

Regarding our operating performance in 2011, we will continue to streamline our business operations and move our business model to a more profitable dues and prepaid dues oriented membership sales approach. We will also review various ways to strengthen our financial position by reducing financial leverage and/or increasing total shareholder equity. We will continue to work with our financial creditors and landlords to restructure our liabilities and align debt service with future cash flows arising from the business model change.

On this occasion, on behalf of the Board of Directors, I would like to express our gratitude and offer our sincere thanks to all of our shareholders, members, employees, business partners, financial institutions and all those who have faith in us and give us strong support. I strongly believe that the cooperation and support of every partner involved will keep California WOW Xperience PLC moving steadily ahead and maintain its leadership as the leader in Thailand's fitness industry.



Mr. Eric Mark Levine  
Chairman

On behalf of the Board of Directors

## Board of Directors

### Chairman



Mr. Eric Mark Levine  
Chairman/Chief Executive Officer  
Age 55

#### Education

Doctorate Degree - Doctor of Philosophy in Sports  
Science, Mannin University,  
United Kingdom

Percentage Holding (Percent)  
- 11.53

#### Working Experience of the Past 5 Years

1996 - Present - Chairman/Chief Executive Officer  
California WOW Xperience Plc.

### Non Executive Director



Mr. Vicha Poolvaraluck  
Non Executive Director  
Age 48

#### Education

Master Degree - MBA, United States International  
University of San Diego, USA  
Bachelor Degree - Faculty of Business  
Administration, Chulalongkorn  
University

Percentage Holding (Percent)  
- 0.09

#### Working Experience of the Past 5 Years

2003 - January 2011 - Non Executive Director  
California WOW Xperience Plc.  
1998 - Present - Chairman Major Cineplex Group Plc.  
2003 - Present - Director Siam Future Development Plc.



Independent Director



**Mr. George Saab**  
**Independent Director/Audit Committee**  
**Age 64**  
**Education**  
 Bachelor Degree - Drafting & Mechanical Engineering  
 Don Bosco College  
**Percentage Holding (Percent)**  
 - 0.28  
**Working Experience of the Past 5 Years**  
 Present - Independent Director/Audit Committee  
 California WOW Xperience Plc.

Independent Director



**Mr. Prinya Taithongchai**  
**Independent Director/Audit Committee**  
**Age 47**  
**Education**  
 Master Degree - MBA, International Business, St. Louis University  
 Missouri, USA  
 Bachelor Degree - B.A. Accountancy, Fac. of Commerce and Accountancy  
 Chulalongkorn University  
 Directors Certification Program (DCP) # 53  
**Percentage Holding (Percent)**  
 - None  
**Working Experience of the Past 5 Years**  
 2004 - January 2011 - Independent Director/Audit Committee  
 California WOW Xperience Plc.  
 1991 - Present - President Starprint Plc  
 Present - Executive Director Starflex Co., Ltd.

Independent Director



**Mr. Sirot Setabandhu**  
**Independent Director/Audit Committee**  
**Age 39**  
**Education**  
 Master Degree - MBA, The George Washington University  
 Washington DC, USA  
 Bachelor Degree - B.S. Engineering, King Mongkut Institute of  
 Technology of Ladkrabang  
 Directors Accreditation Program (DAP) # 27 , year 2004  
**Percentage Holding (Percent)**  
 - None  
**Working Experience of the Past 5 Years**  
 2004 - Present - Independent Director/Audit Committee  
 California WOW Xperience Plc.  
 Present - Official Secretary to the Minister of Finance Ministry of Finance  
 2006 - 2008 - Independent Director/Audit Committee Major Development Plc.  
 2002 - 2009 - Executive Director J.P. Morgan Securities (Thailand)  
 2000 - 2002 - Associate, M&A J.P. Morgan Securities Asia Limited (Hong Kong)

## Managements

### Chief Executive Officer



Mr. Eric Mark Levine  
Chairman/Chief Executive Officer  
Age 55

**Education**  
Doctorate Degree - Doctor of Philosophy in Sports  
Science Mannin University,  
United Kingdom

**Percentage Holding (Percent)**  
- 11.53

**Working Experience of the Past 5 Years**  
1996 - Present - Chairman/Chief Executive Officer  
California WOW Xperience Plc.

### EVP, Chief Financial Officer / Corporate Secretary



Mr. William Alan Dobson  
EVP, Chief Financial Officer / Corporate Secretary  
Age 47

**Education**  
Master Degree - Master of Science in Finance, Bentley  
College, Massachusetts, USA  
Bachelor Degree - Bachelor of Science in Business  
Administration, Finance, Suffolk  
University, Massachusetts, USA  
Directors Certification Program (DCP ) # 11

**Percentage Holding (Percent)**  
- 0.000018

**Working Experience of the Past 5 Years**  
2004 - Present - EVP, Chief Financial Officer /  
Corporate Secretary  
California WOW Xperience Plc.  
2002 - 2004 - Senior Vice President, Corporate Services  
Chief Financial Officer  
System Access Limited, Singapore  
1998 - 2002 - Director of Finance and Administration  
Compaq Computer Corporation (Thailand)  
- Fellow Member Thai Institute of Directors



VP of Sales



**Mr. Simon Douglas Howard**

VP of Sales

Age 53

Education

Bachelor Degree - B.A. History and Physical Education  
Coventry College of Education

Percentage Holding (Percent)

- 0.07

Working Experience of the Past 5 Years

Feb 2010 - Present - VP of Sales California WOW Xperience Public Co. Ltd  
Sep 2009 - Jan 2010 - Director of Sales & Marketing California WOW Xperience Public Co. Ltd  
Apr 2008 - Apr 2009 - Consultant  
2006 - April 2008 - VP of Sales & Marketing California WOW Xperience Public Co. Ltd  
2003 - 2005 - VP of Sales California WOW Xperience Public Co. Ltd  
1999 - 2003 - Senior Vice President in Sales & Marketing J.V. Fitness

Director of Operation



**Mr. Michael Edward Apple**

Director of Operation

Age 43

Education

- High School, Leland

Percentage Holding (Percent)

- None

Working Experience of the Past 5 Years

2010 - Present - Director of Operations California WOW Xperience PLC.  
2009 - 2010 - Chief Operating Officer Planet Yoga - Hong Kong  
2009 - VP of Operations California Fitness & Yoga - Vietnam  
2008 - 2009 - Director of Business Development California WOW Xperience PLC.  
2006 - 2008 - VP of Fitness California WOW Xperience PLC.  
2005 - 2008 - VP of Franchising California WOW Xperience PLC  
2004 - 2005 - VP of Yoga California WOW Xperience PLC

Country Fitness Manager



**Mr. Surasak Kongpanya**

Country Fitness Manager

Age 35

Education

Bachelor Degree - Bachelor's Degree in Physical Education,  
Chandrakasem Rajabhat University

Percentage Holding (Percent)

- None

Working Experience of the Past 5 Years

2010- Present - Country Fitness Manager California WOW Xperience Public Co. Ltd.  
Jun 06 - Dec 09 - District Fitness Manager California WOW Xperience Public Co. Ltd.  
Dec 05 - May 06 - Fitness Manager at Pinklao Club California WOW Xperience Public Co. Ltd  
Oct 05 - Nov 05 - Fitness Manager at Silom Club California WOW Xperience Public Co. Ltd.

## Milestones

2000	<ul style="list-style-type: none"> <li>Established the company in the name of "California Fitness Centers Limited" on July 25</li> <li>Opened the first club; Silom Club, at Liberty Square Building on Silom Road in December</li> </ul>
2003	<ul style="list-style-type: none"> <li>Increased the registered and paid-up capital to Baht 62 million in August</li> <li>Changed the shareholding structure from Fitness Holdings International Corporation to Mr. Eric Mark Levine's Group and Major Cineplex Group Plc. with the proportion of 51% : 49%</li> <li>Increased the registered and paid-up capital to Baht 98 million in September</li> </ul>
2004	<ul style="list-style-type: none"> <li>Changed the Company trademark from "California Fitness" to "California WOW Xperience"</li> <li>Registered to be a public company limited in September</li> <li>Increased the registered and paid-up capital to Baht 150 million in October</li> <li>Opened the second club; Pinklao club, at Major Cineplex Pinklao in November</li> <li>Opened the third club; Sukhumvit 23 club, at Jasmine City Building on Sukhumvit 23 Road in December</li> </ul>
2005	<ul style="list-style-type: none"> <li>Increased the registered and paid-up capital to Baht 200 million in November</li> <li>Listed on the Stock Exchange of Thailand in November</li> <li>Opened the fourth club; Ratchayothin Club, at Major Cineplex Ratchayothin in December</li> </ul>
2006	<ul style="list-style-type: none"> <li>Opened the fifth club and the first six-star club; Siam Paragon Club, at Siam Paragon in March</li> <li>Launched the "WOW" Fitness Magazine in March</li> <li>Started airing Yoga TV Series; Yoga For All, on UBC Channel in March</li> <li>Opened the sixth club and the first women only club; Sukhumvit 31 Club, at Fenix Tower on Sukhumvit 31 Road in August</li> <li>Awarded as "The Company of The Year" from Thai-Canadian Chamber of Commerce in the event of the 10th Business Excellence Award 2005</li> <li>Started airing "The California WOW Xperience 20 minutes Work-Out" on Chic Channel in September</li> <li>Started pre-selling at our first upcountry club; Chiangmai club, at Central Airport Plaza in late September</li> <li>Opened the seventh club; Chaengwattana Club, at The Avenue Chaengwattana in December</li> <li>Started pre-selling at Ratchada club at Esplanade Ratchada in December</li> </ul>
2007	<ul style="list-style-type: none"> <li>Opened the eighth club; Ratchada club, at the Esplanade in March</li> <li>Opened the ninth club; Chiangmai club, at Central Airport Plaza in April</li> <li>Started pre-selling the second upcountry club; Pattaya club, at the Avenue Pattaya in June</li> <li>Opened the tenth club; Pattaya club, at the Avenue Pattaya in November</li> <li>Passed the resolution for Right Offering for increased capital to THB 300 million in December</li> </ul>
2008	<ul style="list-style-type: none"> <li>Opened the 11th club; Ekamai club, at the Major Cineplex Building (Sukhumvit) in August</li> <li>Increased the registered and paid-up capital to Baht 300 million in January</li> </ul>
2009	<ul style="list-style-type: none"> <li>The Board of Director passed resolution to arrange Extraordinary Shareholders' Meeting No. 1/2553 to approve capital increase to existing shareholder (Right Offering) totaling 402,000,899 shares or Baht 180 million (the meeting approved to increase the capital as proposed by the Board. The existing shareholders subscribed the shares totaling shares 250.37 million)</li> <li>Awarded "Superbrands Thailand Y2009"</li> <li>Opened women zone at Sukhumvit 23 club in April to replace Sukhumvit 31 club which closed</li> </ul>
2010	<ul style="list-style-type: none"> <li>Increased the registered and paid-up capital to Baht 550 million in February</li> <li>In September, celebrated 10th Anniversary with the launch of "10 KM in 10 Consecutive Days" corporate wellness program at Lumpini Park and 10 locations. All proceeds from this event were donated to HDF Mercy Center</li> <li>Launched a new dance program called "WOW Hot Liquid" on Chic Channel True Visions</li> </ul>



# Management's Discussion of Financial Condition and Results of Operations

This discussion is intended to further the reader's understanding of the consolidated financial statements, financial condition, and results of operations of California WOW Xperience Public Company Limited ("CAWOW"). This report should be read in conjunction with the financial statements, notes, and tables included in this report.

## INTRODUCTION

CAWOW is the first and only fitness center operator with state-of-the-art fitness equipments listed on the Stock Exchange in Asia. CAWOW was incorporated in 2000 under the name of "California Fitness Center Company Limited" and opened its first club; Silom Club, in the Liberty Building on Silom Road. In 2003, CAWOW changed the shareholding structure from "Fitness Holdings International Corporation" to Mr. Eric Mark Levine's Group and Major Cineplex Group with the proportion of 51%:49%, respectively. In 2004, the Company's trademark was changed from "California Fitness Center" to "California WOW Xperience" and registered as a public company limited in September. On November 8, 2005, it was the first trading day of CAWOW stock on the Stock Exchange of Thailand ("SET"). As of December 31, 2010, CAWOW market capitalization was Baht 182 million.

## FITNESS INDUSTRY

### Thai Fitness Industry

Like many Asians, Thais are becoming increasingly health conscious. Combining this with very low penetration rate, demand for modern gyms will continue to rise. All fitness operators see this high potential in this industry, reflecting more expansion from all operators. However, from the low penetration rate in Thailand, there is much more space for all operators to play in this unique business

### Players and Positioning

Fitness centers can be categorized into four types according to the services provided:

1. Mega Club – a large-sized gym complex - offers both indoor and outdoor sports with other facilities such as restaurant and salon. However, the joining fees and monthly fee at these clubs are quite high. Examples of this type of club are the Royal Bangkok Sports Club and Ratchapreuk Sports Club.
2. Multi-Sports Center – a medium-sized gym - generally locates in the large hotels or office buildings where some types of outdoor and indoor sports are offered. The joining fee and monthly fees at these centers are usually high. Sports City is an example of this type.
3. Fitness Center – a small-sized gym where it focuses on specific types of exercise, locates in the office buildings, hotels and department stores in the metro area for offering services with high convenience to its target customers. The joining fee and monthly fee for this type are quite low comparing to the large and medium-sized gyms. Examples of this type are Fitness First, True Fitness, Clark Hatch and California WOW Xperience.
4. Niche Club - for example, Body Shape, Phillip Wein, Marie France Body Line, SparSha Slimming Center - offers specific exercise and weight control programs to particular customer groups.

According to the size and the type of services provided to customers, CAWOW considers being in the type of "Fitness Center". Then, for the best comparison, CAWOW will focus on the Fitness Center type, called "Branded Fitness Operators", in this report.

Among "Branded Fitness Operators", there are four operators; CAWOW, Fitness First, Clark Hatch and True Fitness

**Table 1: Branded Fitness Operators**

Name	Location	Services
CAWOW	Office Building and, Department Store	State-of-the-art Equipments; Cardiovascular, Resistance and Free Weights, Group Exercise; Aerobic, Body Combat, Spinning, Additional Charge Services; Personal Training, Yoga, Pilates, Swimming Pool (some branches), Sauna, Steam , etc.
Fitness First	Hotel, Office Building	General Workout Equipments, Group Exercise Classes, Sauna, Steam, Swimming pool (some branches)
Clark Hatch	Hotel, Department Store, Office Building, Housing Estate	General Workout Equipments, Aerobic Classes, Swimming Pool (some branches), Jacuzzi
True Fitness	Office Building and Department Store	General Workout Equipments, Group Exercise Classes, Yoga, Spa

As of December 31, 2010

Sources: [www.fitnessfirst.com](http://www.fitnessfirst.com), [www.clarkhatchthailand.com](http://www.clarkhatchthailand.com), [www.truefitness.co.th](http://www.truefitness.co.th), CAWOW's data

In 2010, the fitness industry was at the stable pace. The four major fitness operators had 43 operating, which resulted in higher competition in this industry. However, each operator has different operating strategy with different target customers. For example, target group of CAWOW is the new generation people who are in the range of 21-40 years old and want to work out in the modern gym with the same light and sound as in the nightclub. Fitness First aims to target older customer with different lifestyle than CAWOW. Clark Hatch concentrates on expansion into the Housing Estates, so its target customer is people living in those estates. Along with the demand and different strategy, there are much more room for each fitness operator to operate in its own segment. Amongst the four Branded Fitness Operators, CAWOW believed that market share of approximately 50%-55% belongs to CAWOW. However, CAWOW considers only Fitness First to be the direct competitor.

## BUSINESS DESCRIPTION

### Corporate Vision

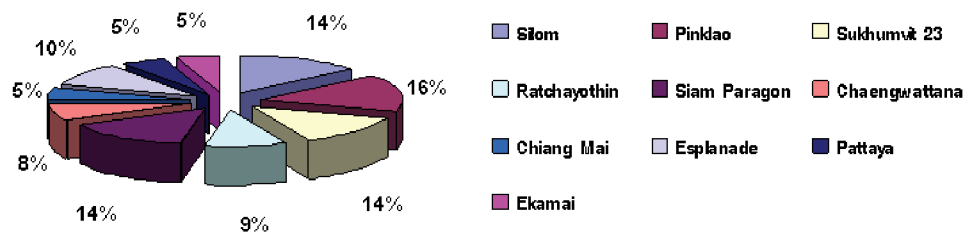
The Company thrives to remain the leading operators in Thai fitness industry, which is one of the fastest growing industries in recent years. CAWOW operates the business with differentiate concept of "Exertainment" by providing modern gym services with variety up-to-date and state-of-the-art work-out equipments and additional charge services. CAWOW is the leader in introducing new facilities and other related businesses to contribute good value to our members.

Regarding to more health consciousness amongst Thai people, the demand of fitness centers is growing; especially in Bangkok area. We believe that the modern fitness centers with fully equipped fitness equipments will continuously generate membership base, reflecting good performance to the Company.

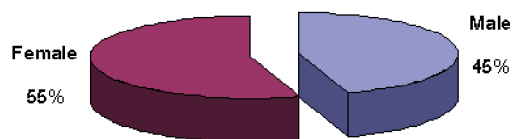
### Business Scope

CAWOW provides full range of fitness services with differentiate look and feel from other fitness operators. In addition to a variety of state-of-the-art fitness equipments, CAWOW also offers additional charge services consisting of Personal Training, Yoga Pilates and Spa. As being the leading fitness operator in Thailand, CAWOW exited the year 2010 with 161,000 members from our ten operating clubs; Silom, Pinklao, Sukhumvit 23, Ratchayothin, Siam Paragon, Chaengwattana, Esplanade Ratchada, Chiang Mai, Pattaya and Ekamai.

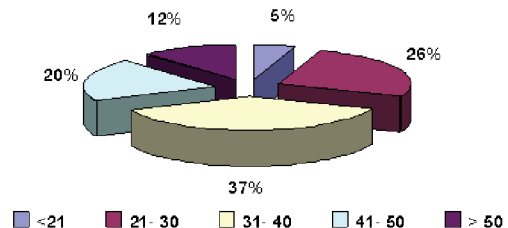
Graph 1 : Members by Club



Graph 2 : Demographics by Gender



Graph 3 : Demographic by Age



All CAWOW clubs are located in Bangkok and vicinity area, with the exception of Chiang Mai club and Pattaya club, generating CAWOW's geographic coverage not only in Bangkok and vicinity area, but also big cities in upcountry. The majority of members are in the range of 21-40 years old, accounting for 63% of total members.

## Membership

CAWOW offers two types of membership that are Dues Membership and Term Membership.

### 1. Dues Membership

This type of membership allows customers, who do not want to pay full amount of membership fee in advance, to pay monthly payment throughout the contract term via electronic fund transfer from their credit cards.

### 2. Term Membership

This type offers discount membership fee to customers who want to pay full amount of membership fee with the term of at least one year in advance.

Along with these two major types of membership, CAWOW has various memberships allowing customer to choose the appropriate type with their lifestyles. For example;

1. All Clubs, All Access, All Hours – this type offers customers to access all CAWOW clubs at all hours. However, it has highest cost.
2. One Club only – this type satisfies customers who want to join only one club closed to their home or office.
3. Dual/Tripplle Clubs – this type offers an option to customers who are willing to work out at our two or three clubs, in which one clubs is closed to their homes and another club is closed to their offices. Its pricing is higher than One Club Only type but lower than All Clubs, All Access, All Hours type.



All CAWOW members are able to use the basic facilities, which can be categorized into two main types as follows:

### 1. General Workout

An extensive range of modern, international standard workout equipments are provided to all members in large relaxing atmosphere work out area with enjoyable lights and sounds. All equipments are easy to use and are properly maintained to always be in good condition, helping minimize accident. Three types of equipment are provided;

#### - Cardiovascular

Cardiovascular exercise is improving the function of the heart and lungs (cardiovascular system), the blood circulation and the stamina and burning calories. Examples of this type of equipment are Stairclimbers, Stepper, Elliptic Movement, Treadmill, Upright & Recumbent Bicycle, and Cross Trainer.

#### - Resistance

Exercising with resistance equipments helps increasing muscle strength, body mass, bone strength and body metabolism. In addition, it also helps members maintain or lose weights with improving body image and self-esteem. For example, Body Master, Cyber Flex, Hammer Strength, Icarian, Life Fitness, and Sprint.

#### - Free Weights

To build muscle, members can exercise with our high quality free weight equipments such as barbell or dumbbell.

### 2. Group X

CAWOW offers the group exercise studios with the varieties of classes, allowing all members to join the classes and to meet new friends. All classes are instructed by the qualified instructors.

#### - Aerobic Studio

In this studio, members can enjoy the varieties of aerobic exercise classes with the rhythm of music and fun atmosphere. For example, Body Combat, Body Pump, Intro Aerobic, Intro Step, Hip Hop, Latin Dance, Tai-Chi.

#### - Spinning Studio

This class combines the rhythmic exercising with the spinning. The atmosphere is lively with lights and sounds offering excitement and fun feeling.

In addition to the above services, CAWOW provides other facilities, which might be different in each club, to all members such as Sauna, Steam Room, Lockers, Swimming Pool, Spa, and etc.

## Additional Charge Services

Additional Charge Services consist of six services, which are Personal Training, Yoga, Pilates, Kick Fit, Spa and Liquid dance. Details of each service are as follow;

### 1. Personal Training

Personal Training is the best possible service offering to members who want to have private fitness counselor helping them set up appropriate programs to achieve their goals. Personal Training One-on-One sessions ensure that members get the most from each and every workout. Our highly qualified personal trainers will provide constant and careful guidance through every work out, giving members a wealth of fitness, exercise and nutrition knowledge. Personal Training is so much more than a fitness program. It is about Motivation, Enthusiasm, Commitment and Safety, all of which trainer will provide without forgetting the all important element- Fun.

### 2. Yoga

Yoga is one of the additional services which CAWOW offers at all clubs.

Yoga is a means of balancing and harmonizing the body, mind and emotions. It provides a natural counter by balancing the stress of modern life and helping members achieve a sense of inner peace. In addition, there are many benefits from playing Yoga; for example, reduce weight and cholesterol, relieve anxiety and relieve a muscle pain.

### 3. Pilates

Pilates is a physical and mental conditioning exercise program with a unique combination of stretching, breathing, posture and movement control and specifically designed equipments, which is developed by Joseph Pilates in 1920 by combining Eastern and Western forms of exercise and body movement. CAWOW introduced this service in 2005 to help members improve the flexibility and movement of total body.

#### 4. Kick Fit

Kick Fit has been introduced to members since 2008. Kick Fit creates a fun and dynamic option for members to get in shape. It is based on Muay Thai training techniques with the goal to get the participants "fighting fit". Strength and stamina are developed through this training. It is popular among women who feel it gives them confidence as well as self defense skills. Men like doing kick fit for its stress relieving benefits.

#### 5. Spa

CAWOW has offered the spa service to members from the beginning of year 2009. The spa treatment helps members relaxing body and mind, healing emotional distress, reducing the effects of ageing, nourishing the skin, and soothing our tired muscles.

#### 6. Liquid Dance

Liquid Dance has been introduced to members in August 2010. Liquid dance, a variety of dancing styles, creates a fun and dynamic option for members to get in good health. The liquid dance has mixed to various kinds of dance such as Hip Hop, Street Jazz, Popping, Locking, K-Pop, Stress Fusion and others.

### Key Competitive Differentiation Factors

CAWOW views our competitive differentiation factors along five key areas: Concept, Brand, Location, Services and Strong Infrastructure.

First, CAWOW has differentiate concept; "Exertainment Concept", for modern Thai population. The differentiate feeling with the same light and sound as nightclub, generating friendly and fun atmosphere, has been created in all clubs for members to use as hanging out area with their friends and working out area at the same time. It is not only the happy time with friends, but also the good time for health.

Second, CAWOW has continuously established strong brand recognition through concept, services and celebrity spokesperson. With strong brand recognition, it is easy for CAWOW to expand to other area. People will know what CAWOW operates before we open the club, reflecting good response during the presales period. When people want to join fitness center, CAWOW would be the first one in their minds

Third, prime location in metro area with ground floor access is our major factor of building a club. Along with high potential and more health consciousness among people in upcountry, CAWOW is expanding the business to those potential areas.

Fourth, CAWOW aims to satisfy all needs of our members by offering a variety of services and classes to contribute the most benefit to CAWOW's members. CAWOW always is the leader to offer new services and related products to our members.

Last but not least, CAWOW has solid centralized infrastructure. Our management team has very strong experience in both international and Thai fitness industry, reflecting the best understanding to operate this business in Thai market. Along with the strong management team, CAWOW has six major key drivers to support growth, which are strong sales team, innovative marketing and advertising team, good membership system, customer service, employee training and development, and the most important driver; innovative services and facilities.

### KEY ACHIEVEMENTS DURING 2010

- In September, CAWOW celebrated the 10th year anniversary by launching "10-KM in 10 Consecutive Days" corporate wellness program in Lumpini Park and its 10 locations. The proceeds from this event were donated to HDF Mercy Center.
- CAWOW successfully increased its active membership base by 1% from 159,000 members at the end of 2009 to 161,000 members at the end of 2010.
- CAWOW launched a new dance program called "WOW Hot Liquid" on Chic Channel True Visions.

## STRATEGIC IMPERATIVES FOR 2011

In 2011, CAWOW will continue to focus on our business with the unique concept of "Exertainment" in Bangkok metro area and selected upcountry area (Pattaya and Chiangmai locations) to acquire new members while maximize existing membership value which in turn will help increase overall earnings and sustain long-term growth. In sum, CAWOW will attempt to manage business to achieve our goals along the following imperatives:

**Club & Location:** CAWOW will consider potential areas in Bangkok metro and upcountry (Pattaya and Chiangmai) to open the club with the key factor of the ground floor access for the club visibility and selling area. However, CAWOW does not have any firm commitment to open a new club in 2011.

**Membership:** A number of new clubs with appropriate marketing program and marketing activities, which might be different in each location, will be pursued to expand the membership base. In addition, CAWOW will continue to push for more attractive loyalty program in order to maintain our memberships.

**Products & Services:** Core businesses; Membership and Additional Charge Services, are continuously developed to contribute more value to all members. Membership service, which generates the majority revenue to the company, allows members to use fitness facilities and to attend a ton of Group X classes such as Body Combat, Body Pump and Spinning, free of charge. CAWOW will not stop creating more classes for members to enjoy working out at the clubs. For Additional Charge Services, currently, there are six services; Personal Training, Yoga, Pilates, Kick Fit, Spa and Liquid Dance, which they all will be pursued to introduce to all members. Moreover, CAWOW plans to launch additional charge services to offer the highest benefit to members.

**Staff:** As a service company, staffs are the one of the most important factors to drive the company. Only high qualified staffs will be recruited to be CAWOW's staffs. In addition, all CAWOW's staffs, especially club's staffs, will be trained and requested to pass the required tests before serving our members.

**Synergy Business:** Along with the synergy businesses launched in 2010, CAWOW will not stop creating more synergy businesses or other related businesses to add more value to our members.

## Future Projects

**New Clubs:** At this time CAWOW does not have any firm commitment to open a new club in 2011 and beyond.

**Synergy Business:** CAWOW has strengthened the synergy business by forming strategic partnerships, which increases ancillary revenue.

## EARNINGS SUMMARY

Table 2: Summary of Financial Ratio

Year Ended December 31,	2010	2009
<b>Profitability Ratio</b>		
Gross Profit Margin	7%	22%
EBITDA Margin	(14%)	2%
Cash EBITDA Margin	(2%)	(4%)
Net Profit (Loss) Margin	(45%)	(20%)
Return on Average Total Assets	(36%)	(16%)
Return on Average Shareholders' Equity	N/A	(102%)
<b>Asset Quality Ratio</b>		
Current Ratio (times)	0.1	0.1
<b>Financial Ratio</b>		
Debt to Equity Ratio (times)	N/A	10.1
Interest Bearing Debt to Equity Ratio (times)	N/A	3.6
Debt (excluding deferred income) to Equity Ratio (times)	N/A	5.3

N/A – Not Applicable

The year 2010 was the most challenging year from an operational perspective due to economic and political uncertainties. Our membership base expanded and grew 1% from 159,000 members at the end of 2009 to 161,000 members at the end of 2010. The Company reported a net loss of THB 467 million, which included THB 111 million of asset impairment charge and asset write-offs. In year 2010, the Company generated revenue from rendering services THB 1,031 million. Moreover, the Company managed to reduce its operating expenses (excluding asset impairment charge and asset write-offs) by THB 231 million from last year.

At the end of 2010, the Company had 10 operational clubs; Silom Club, Pinklao Club, Sukhumvit 23 Club, Ratchayothin Club, Siam Paragon Club, Chaengwattana Club, Chiang Mai Club, Esplanade Club, Pattaya Club and Ekamai, with the total area of approximately 36,600 square meters.

In addition to Membership services, the Company offers our members six main additional charge services consisting of Personal Training, Yoga, Pilates, Kick Fit, Spa and Liquid Dance. These services are the source of the revenues. In 2010, Personal Training, including Kick Fit, was still the main service contributing to 72% of total additional charge service revenues. Yoga was accounting for 12% of total additional charge service revenues. Along with the continue expansion in membership base, the additional charge service revenues are expanding to contribute high return to the Company.



Table 3: Summary of Balance Sheet Statement

As at December 31	2010 (Million Baht)	2009 (Million Baht)	%Change
<b>Assets:</b>			
Current Assets			
Cash & Cash Equivalents	20	35	(43%)
Other Current Assets	58	52	10%
Total Current Assets	78	87	(11%)
Non-Current Assets			
Leasehold Improvement & Equipments-net	884	1,222	(28%)
Intangible Assets-net	88	97	(9%)
Deposits	61	64	(4%)
Total Non-Current Assets	1,033	1,383	(25%)
<b>TOTAL ASSETS</b>	<b>1,111</b>	<b>1,470</b>	<b>(24%)</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Liabilities</b>			
Short-term Loans	125	125	0%
Long-term Loans	297	308	(4%)
Deferred Income	636	630	1%
Other Current & Non-Current Liabilities	274	274	0%
Total Liabilities	1,332	1,337	(0%)
<b>Shareholders' Equity</b>			
Total Shareholders' Equity	(221)	133	(267%)
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>1,111</b>	<b>1,470</b>	<b>(24%)</b>

## ASSETS

Total assets as at December 31, 2010 decreased 24% or Baht 359 million from Baht 1,470 million as at December 31, 2009 to Baht 1,111 million as at December 31, 2010. Of that amount, 7% was current assets and another 93% was non-current assets. Details of assets are as follows:

### Current Assets

Current assets decreased 11% or Baht 9 million from Baht 87 million as at December 31, 2009 to Baht 78 million as at December 31, 2010. This was mainly from a decrease in cash & cash equivalents Baht 15 million

## Non-Current Assets

Non-current assets decreased 25% or Baht 350 million from Baht 1,383 million as at December 31, 2009 to Baht 1,033 million as at December 31, 2010. This decrease mainly came from a decrease in leasehold improvements and equipments-net of Baht 338 million due to accumulated depreciation and the provision of asset impairment.

## LIABILITIES AND SHAREHOLDERS' EQUITY

### Liabilities

Total liabilities as at December 31, 2010 decreased 0.4% or Baht 5 million from Baht 1,337 million as at December 31, 2009 to Baht 1,332 million as at December 31, 2010. Major drivers for this decrease is amounts due to related parties, down 39% or Baht 45 million from Baht 115 million to Baht 69 million partially offset by an increase in accrued expenses, up 76% or Baht 39 million from Baht 51 million as of December 31, 2009 to Baht 91 million as of December 31, 2010.

#### Interest - Bearing Debt

In addition to internal cash inflow from operation, two more sources of funding were used to support our business; loans from financial institutions and obligation under finance lease agreements, accounting for 93% and 7% of total interest-bearing debts, respectively.

#### Loans

As at December 31, 2010, loans decreased 3% or Baht 11 million from Baht 433 million to Baht 422 million. The whole amount was shown under current liabilities due to the equity ratio is not in accordance with the debt covenant requirements. Therefore, the banks are entitled to call back the loans immediately. However, the Company is on the negotiation process with banks to reschedule outstanding debts.

#### Obligation under finance lease agreement

Obligation under long-term lease agreement, another major source of funding, decreased from Baht 40 million as at December 31, 2009 to Baht 33 million as at December 31, 2010.

#### Deferred Income

Deferred income increase by 1% or Baht 6 million from Baht 630 million as at December 31, 2009 to Baht 636 million as at December 31, 2010.

### Shareholders' Equity

Shareholders' equity as at December 31, 2010 dropped 267% or Baht 354 million from Baht 133 million as at December 31, 2009 to negative of Baht 221 million as at December 31, 2010 mainly due to net loss of year 2010 Baht 467 million causing by a decrease in revenue Baht 377 million and impairment charge.

## NET PROFIT

Table 4: Summary of Income Statement

For the years ended December 31,	2010 (Million Baht)	2009 (Million Baht)	%Change
<b>Revenues:</b>			
Revenue from Rendering of Services	1,031	1,408	(27%)
Cost of Rendering of Services	(960)	(1,101)	(13%)
<b>Gross Profit</b>	<b>71</b>	<b>307</b>	<b>(77%)</b>
Other income	33	54	(39%)
<b>Profit Before Expenses</b>	<b>104</b>	<b>361</b>	<b>(71%)</b>
Total Expenses	(500)	(599)	(17%)
<b>Loss Before Financial Costs and Income Tax</b>	<b>(396)</b>	<b>(238)</b>	<b>66%</b>
Interest Expenses	(71)	(36)	96%
Income Tax	-	-	-
<b>Net Loss</b>	<b>(467)</b>	<b>(274)</b>	<b>70%</b>

In 2010, the Company had the net loss of Baht 467 million due to the increase in net loss of Baht 193 million from the previous year. In addition, the increase of 2010 number members fewer than the increase of 2009 number of members. As a result, the revenue from rendering of services decreased 27% or Baht 377 million. However, the operating expense decreased Baht 240 million from Baht 1,700 million in December 2009 to Baht 1,460 million in December 2010 because of the success in costs controlling.

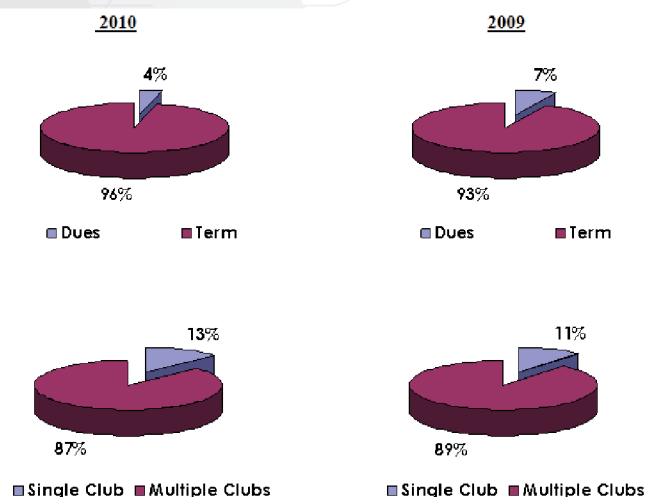
## Total Revenue

Table 5: Revenue Structure

For the years ended December 31,	2010 (Million Baht)	Prop.	2009 (Million Baht)	Prop.	% Change
Total Revenue	1,064	100%	1,462	100%	(27%)
Membership Revenue	514	48%	696	48%	(26%)
Additional Charge Service Revenues	517	49%	712	48%	(27%)
Other Income	33	3%	54	4%	(39%)

Due to the expansion in membership base, the Company had the number of members increase by approximately 2,500 members in year 2010 and 23,000 members in year 2009, respectively. As a result, the total revenue decreased by Baht 398 million from baht 1,462 million in 2009 to Baht 1,064 million in 2010. The other income also reduced by Baht 21 million due to the decrease in barter trade with business partners.

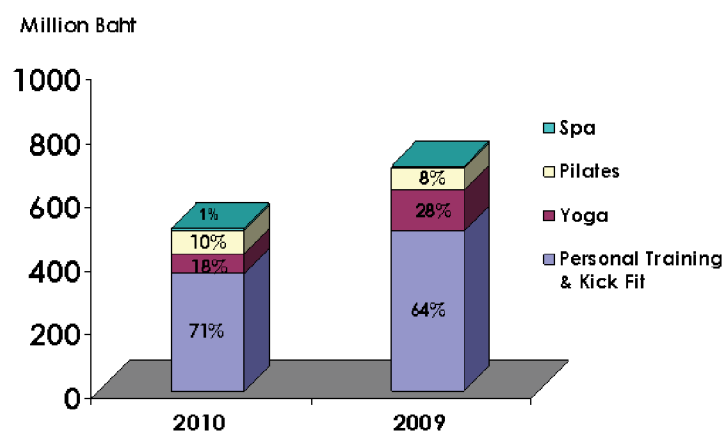
Graph 4 : Breakdown Membership by Type



Membership Revenue was a main source of revenue which was accounted for 48% of total revenues. Our 161,000 members can be categorized into two groups, Term Membership and Dues Membership accounting for 96% and 4% of total members, respectively. In addition, 87% of total members had multiple clubs access.

#### Additional Charge Service Revenues

Graph 5 : Breakdown Additional Charge Service Revenues



Total additional charge service revenues decreased by 27% or Baht 195 million from Baht 712 million last year to Baht 517 million and accounting for 49% of total revenues. Of the total amount, 71%, 10%, 18% and 1% came from Personal Training, Pilates, Yoga and Spa, respectively.

Personal Training and Kick Fit, which were the major source of additional charge service revenue, generated Baht 373 million this year, decreasing from last year revenue of Baht 507 million by Baht 134 million.

Yoga, a popular service, generated the revenue of Baht 61 million.

Pilates has been introduced since 2005. Its revenue grew 8% or Baht 5 million from Baht 68 million last year to Baht 73 million.

Spa, a new service offered in 2009, generated revenue Baht 9 million, accounting for 1% of total additional charged serviced revenue



## Other Incomes

For the year ended December 31, 2010, other incomes including gain on foreign exchange rate and interest income decreased 39% or Baht 21 million from Baht 54 million last year to Baht 33 million. The sources of other incomes were Sponsorship income, barter trade, and the other revenue from our business partners.

## Total Expenses

Table 6: Expense Structure

For the years ended December 31,	2010 (Million Baht)	Prop.	2009 (Million Baht)	Prop.	% Change
<b>Total Expenses</b>	<b>1,531</b>	<b>100%</b>	<b>1,736</b>	<b>100%</b>	<b>(12%)</b>
<b>Total Operating Expenses</b>	<b>1,460</b>	<b>95%</b>	<b>1,700</b>	<b>98%</b>	<b>(14%)</b>
Cost of Rendering of Services	960	63%	1,101	64%	(13%)
Marketing & Advertising Expenses	69	4%	71	4%	(3%)
Selling & Administrative Expenses	431	28%	528	30%	(18%)
<b>Interest Expense</b>	<b>71</b>	<b>5%</b>	<b>36</b>	<b>2%</b>	<b>97%</b>
<b>Income Tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

For the year ended December 31, 2010, the Company recorded the total expenses of Baht 1,531 million, down by 12% or Baht 205 million from Baht 1,736 million last year. Total expenses consisted of cost of rendering of services, marketing and advertising expenses, selling and administrative expenses and interest expense, accounting for 63%, 4%, 28% and 5% of total expenses, respectively. In addition, the Company had no income tax in year 2010.

## Total Operating Expenses

Due to success in costs controlling in 2010, total operating expenses decreased 14% or Baht 240 million from Baht 1,700 million last year to Baht 1,460 million. Of that amount, 66%, 5% and 29% were from cost of rendering of services, marketing & advertising expenses, and selling & administrative expenses, respectively.

### Cost of Rendering of Services

Cost of rendering of services for the year ended December 31, 2010 was Baht 960 million, down by 13% or Baht 141 million from Baht 1,101 million for the year ended December 31, 2009. Major sources of this cost were rental fee, depreciation and amortization and salary, accounting for 27%, 25% and 15% of total cost of rendering of services.

### Marketing & Advertising Expenses

For the year ended December 31, 2010, the Company had the marketing & advertising expenses of Baht 69 million, down by 3% or Baht 2 million from Baht 71 million for the year ended December 31, 2009. This decrease was mainly from a result of barter for sponsorship from our business partners.

### Selling and Administrative Expenses

The selling and administrative expenses for the year ended December 31, 2010 were Baht 431 million, down by 18% or Baht 97 million from Baht 528 million for the year ended December 31, 2009 due to the continued cost reduction and cost controlling.

### Interest Expense

The Company accrued interest expenses at the default rate; therefore, the interest expense for the year ended December 31, 2010 were Baht 71 million, up by 97% or Baht 35 million from Baht 36 million for the year ended December 31, 2009.

### Income Tax

For the years ended December 31, 2010 and 2009, the Company had no income tax due to net loss for the year 2010 and 2009.

# Risk Factors

## 1. Risk of Liquidity Problems

Due to the economic and political uncertainties, the targeted customers tend to be more conscious on consumer spending. As a result, the revenue from rendering of services dropped THB 377 million from THB 1,408 million in 2009 to THB 1,031 million in 2010. The Company's management has worked to the best of their ability to control the operating expenses; therefore, the operating expenses (excluding impairment charge and assets written-off) decreased THB 231 million from the previous year.

The Company believes that the liquidity will be gradually improved by introducing new marketing and service programs to generate more revenue and finding a new source of fund to improve its financial and liquidity. In addition, the Company is on the negotiation process with the banks and landlords to reschedule outstanding debts and/or find new source of fund to repay banks debts. Moreover, the Company continues to maintain operational expenses at the lowest level to improve the cash flow from operation.

## 2. Risk Related to Financial Leverage

The Company currently has the total interest-bearing debt of THB 455 million as of December 2010. The substantial debt could have important consequences to the Company; for example, making it more difficult for the company to satisfy obligations with respect to the outstanding indebtedness, increasing the Company vulnerability to general adverse economic and industry conditions, requiring a substantial portion of the cash flow from operations for the payment of interest on debt and reducing the Company's ability to use the cash flow to fund working capital, capital expenditures, investment of new clubs and general corporate requirements. In addition, the company may face the limitation of flexibility in planning for, or reacting to, changes in the business and the industry, in which the Company operate. These limitations and consequences may place the Company at a competitive disadvantage to other less-leveraged competitors. Covenant restrictions under the Company's indebtedness may limit the ability to operate the business and, in such event, the Company may not have sufficient assets to settle our indebtedness.

However, the Company is under discussion with banks on loan restructuring, which will extend the repayment terms and conditions. Additionally, the Company attempts to find new source of fund to repay banks debts.

## 3. Risk from Intense Competition

The growing health consciousness of Thai people has resulted in a number of competitors investing in the business of fitness centre operation as can be seen from the recent rising number of fitness centres located in shopping complexes and office buildings. These new centers are targeted at the same customers as the Company's business. Despite the possible impact on the market share of the Company as a result of this intense competition, the Company is confident that it can offer services that are different from those of its competitors. The Company's selection of modern exercise equipment and the Company's responsiveness to customer demands which include nice and clean fitness centers and modern lighting and sound systems by professional teams will ensure customers enjoy and are excited by exercising at California WOW Xperience. Moreover, the managements' more than 30 years of experience in successfully managing fitness centres in many countries and the strength of its major shareholder's, marketing strategy and expertise in selecting locations will allow the Company to remain a leader in Thailand.

## 4. Risk from Price Wars

The rising number of new fitness center operators has created intense marketplace competition resulting in the fierce price war. This poses a risk to the profitability of the Company. The Company's confidence in the quality of the services that it provides and the fact that the services it provides are different from those offered by competitors. It means that the Company has resisted the policy of price-cutting. The Company offers free trial packages of its additional charged services to customers with new purchase of services such as Personal training, Yoga and Pilates. The Company is using a Master Price List to determine the sales price for all services. The price list has been designed by the management team. Sales counsellor cannot change prices as specified in the Master Price List and shall comply with the regulations as specified.

In addition, the Company's target customers are not sensitive to changes of price as they expect quality services. It is expected that the price war will not be much intense as the customer's demand is currently outnumbering the operators of the business of fitness centre.

## **5. Risk from Inability to Renew Lease Agreement**

All property/space used in the Company's business operation are leased under long-term lease agreements, for periods of between 3-20 years. Therefore, the Company might be at risk from not being able to renew its lease agreements, or rental increases. However, all of the lease agreements allow the Company to extend the leases and all have a clear policy of rental rate adjustment. Being well recognised by customers and as the country's leading fitness center operator the large area of each branch means it would be quite difficult for the Lessor to find other lessees to continue the leases. The Company has never experienced termination of a lease agreement by a landlord. The Company is therefore confident that it will receive good support from the landlords and the lease agreements will be extended.

## **6. Risk related to Dependency on Executives and Human Resources**

The business model has always grown and been developed by the vision of the founder of the Company, Mr. Eric Mark Levine, a major shareholder and a management executive of the Company. Without Mr. Eric Mark Levine, the Company's operations might be at risk. However, the Company has recruited an experienced management team fitness industry expertise to join the team. The Company has been restructured to decentralise executive power and allow each department to work independently and effectively and reducing the risk of being entirely dependent on executives. In addition, the Company plays a significant role in producing and developing quality human resources with an emphasis on a continual human resources development. With this development scheme in place, the Company is confident it will be able to maintain effective business operations with an appropriate replacement in the case of a loss of human resources. The Company also adopts the policy of providing all employees with good remuneration and welfare and thus enhance their capability to provide good services and maximum customer satisfaction.

## **7. Risk related to Major Shareholders**

As of 30 December 2010, shares of the Company are held by a group of major shareholders. These shareholders are Mr. Eric Mark Levine's Group holding 36.06 percent of the paid-up registered capital. Major Cineplex Group Public Company Limited (MAJOR) is holding 18.82 percent of the paid-up registered capital. Therefore, shareholders in these two groups will have the majority of votes in shareholders meeting when reaching a resolution to; for example, appoint directors of the Company or any resolution that requires a majority vote. Consequently, other shareholders face the risk of not being able to gather sufficient votes to create checks and balances when voting on matters proposed by the major shareholders to shareholder meetings.

When considering the corporate structure of the Company which is comprised of the Board of Directors, Audit Committee, Remuneration Committee and Real Estate Committee, it can be said that the Company has qualified executives, a knowledgeable corporate structure with a scope of work and that power has been assigned to each committee in a clear and transparent manner. Major shareholders, persons with power to control the business including any persons with a conflict of interests, will not be entitled to vote in any matter that is related to the connected transactions with the directors. In addition, independent persons will have an auditing function. This will create a balance of decision-making power to reassure shareholders about the transparency of the Company and the balance of executive power within the Company.

## **8. Risk from Few Company Checks and Balances**

Mr. Eric Mark Levine is Chairman of the Board of Directors and is also CEO of the Company; therefore, he might have all of the authority in the Company. Nevertheless, the Company has a corporate structure that comprises of a Board of Directors, Audit Committee, Remuneration Committee, Real Estate Committee and Management. These committees and the Management are in place to ensure the Company has sufficient checks and balances.

# Shareholding Structure

## Major Shareholders

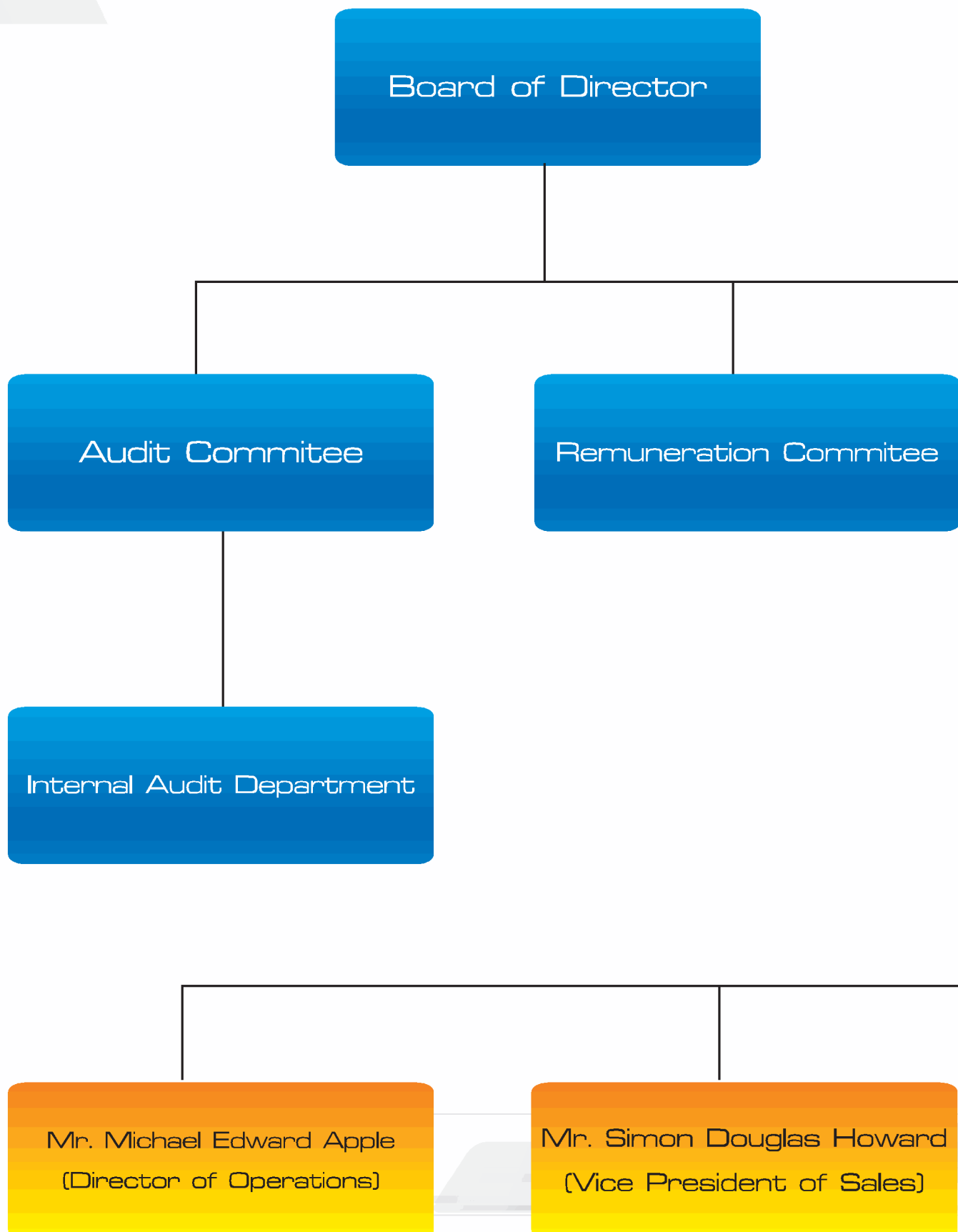
The names of the first ten shareholders that appeared in the shareholders' registration book as at 30 December 2010 are:

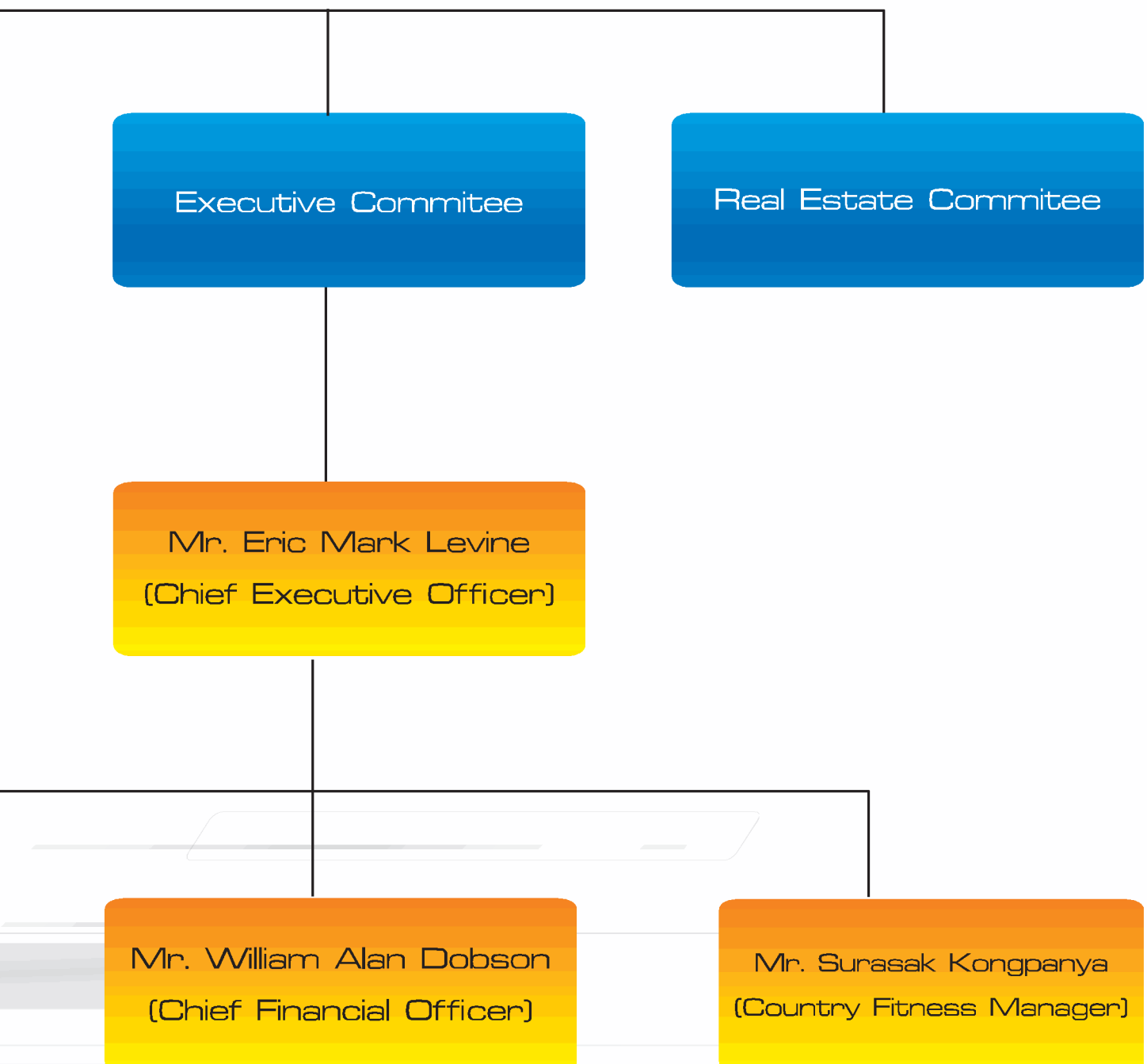
No.	Shareholders	As at 30 December 2010	
		No. of share	Percent
1.	Mr. Eric Mark Levine's Group		
	1.1 Elite Power Holdings Inc.	130,510,285	23.71
	1.2 Mr. Eric Mark Levine	63,446,242	11.53
	1.3 FDE of the World Company Limited	4,499,770	0.82
	1.4 Bulldog Holdings Limited	229	0.00
	Mr. Eric Mark Levine's Group	198,456,526	36.06
2	Major Cineplex Group Public Company Limited	103,558,500	18.82
3	EFG BANK	65,134,192	11.83
4	Thai NVDR Company Limited	45,487,278	8.26
5	Mr. Wisanu Sakulpichetrat	25,936,000	4.71
6	Mr. Voraphat Shinphongphiboon	25,801,600	4.69
7	Mr. Nathapphol Jurangkul	14,088,800	2.56
8	Mr. Teeraphong Chansiri	5,200,000	0.94
9	Mr. Kachkamchorn Tantraporn	4,700,000	0.85
10	Mr. Aphichat Chaiyaporamath	3,896,400	0.71

Remark: Shareholders # 1.1-1.4 collectively represent Mr. Eric Mark Levine's Group.

Shareholders # 1.1, 1.3 and 1.4 are juristic persons which Mr. Eric Mark Levine has control over.







# Corporate Structure & Corporate Governance

## Structure of Board of Directors

The corporate structure of the Company comprises of four committees: Board of Directors, Audit Committee, Remuneration Committee and Real Estate Committee. The board clearly separates its roles and responsibilities from those of management. It has been described on the topic of "The Company's Organization". As such it is better enhance the balance of power within the Company. Details of the Board of Director and sub committees are as follows:

### 1. Board of Directors

As at December 31, 2010 the Board of Directors of the Company comprises of 5 directors including an executive director, namely, the Chief Executive Officer, 1 non-executive director and 3 independent directors, more than to one-second of the entire board with a term 3 year each. The Board of Directors comprises of personnel with expertise in various professional such as fitness business, entertainment business finance, investment, accounting, and dedicate enough time to perform as director. The Board of Director view that the Board's structure is appropriate with the money invested by each group of shareholders and the balance of power and thus, ensure that the Board of Directors could perform their duties independently, resulting in an efficient and effective decision making. Names of members of the Board of Director are as follows:

Name	Position	Assigned Date	Proportion of Securities Holding (%) As of 30 Dec, 2010
1. Mr. Eric Mark Levine	Chairman/CEO	18 April 2008	11.53
2. Mr. George Saab	Independent Director & Audit Committee member	8 April 2010	0.28
3. Mr. Vicha Poolvaraluck	Non Executive Director	18 April 2008	0.09
4. Mr. Prinya Taithongchai	Independent Director & Audit Committee member	8 April 2010	0.00
5. Mr. Sirot Setabandhu	Independent Director & Audit Committee member	8 April 2010	0.00

**The Company's secretary:** Mr. William Alan Dobson (EVP, Chief Financial Officer)

#### Remarks :

- Mr. Verawat Ongvasith resigned from director effective from November 24, 2009.
- Dr. Virach Aphimeteetamrong resigned from independent director, Chairman of Audit Committee, and Chairman of Remuneration Committee, effective from April 9, 2010.
- Mr. Mark Steven Mastrov resigned from director effective from November 8, 2010.

The Board of Directors' meeting the Company no. 2/2011 held on 21 January 2011 the appointment of Mr. Howard David Levine as a Director replace to Mr. Mark Steven Mastrov who resigned, the appointment of Mr. Simon Douglas Howard as a Director replace to Mr. Verawat Ongvasith who resigned, and the appointment of Mr. Surasak Kongpanya as a Director replace to Dr. Virach Aphimeteetamrong who resigned. Above appointments were effective from 21 January 2011.

Mr. Vicha Poolvaraluk and Mr. Prinya Taithongchai resigned from director and independent director respectively including of their other positions in the Company effective from January 24, 2011.

**Authorised Directors as appeared in the Certification Documents are as follows:**

The Board of Directors' meeting of the Company no. 3/2011 held on 24 January 2011 has approved the change of Authorized Directors of the Company from Mr. Eric Mark Levine and Mr. Vicha Poolvaraluk to Mr. Eric Mark Levine and Mr. Simon Douglas Howard with effect on 24 January 2011.

Mr. Eric Mark Levine shall jointly sign with Mr. Simon Douglas Howard and affix the Company's seal.

## **2. Audit Committee**

At the meeting of the Board of Directors No. 6/2004, held on July 19, 2004, it was resolved that Audit Committee be appointed, consisting of 3 independent directors with a term of 1 year each. Two of them are experts in accounting and finance and have attended the training course arranged by Thai Institute of Directors Association (IOD). Names of the members of the Audit Committee are as follows:

- |                                  |                             |
|----------------------------------|-----------------------------|
| (1) Dr. Virach Aphimeteetamrong* | Chairman of Audit Committee |
| (2) Mr. Prinya Taithongchai      | Audit Committee Member      |
| (3) Mr. Sirot Setabandhu         | Audit Committee Member      |
| (4) Mr. George Saab**            | Audit Committee Member      |

\*Dr. Virach Aphimeteetamrong resigned from independent director, Chairman of Audit Committee, and Chairman of Remuneration Committee, effective from April 9, 2010.

\*\* The Board of Directors' meeting of the Company no. 5/2010 held on 8 July 2010 has approved the appointment of Mr. George Saab as an Independent Director, Audit Committee Member, and Remuneration Committee Member replace to Dr. Virach Aphimeteetamrong who resigned, effective from 8 July 2010.

## **3. Remuneration Committee**

At the meeting of the Board of Directors No. 1/2005, held on March 29, 2005, it was resolved that Remuneration Committee be appointed, consisting of one independent director (Chairman of the Remuneration Committee) and two non-executive directors. Names of the members of the Remuneration Committee are as follows:

- |                                  |                                    |
|----------------------------------|------------------------------------|
| (1) Dr. Virach Aphimeteetamrong* | Chairman of Remuneration Committee |
| (2) Mr. George Saab**            | Remuneration Committee Member      |
| (3) Mr. Mark Steven Mastrov***   | Remuneration Committee Member      |

\*Dr. Virach Aphimeteetamrong resigned from independent director, Chairman of Audit Committee, and Chairman of Remuneration Committee, effective from April 9, 2010.

\*\* The Board of Directors' meeting of the Company no. 5/2010 held on 8 July 2010 has approved the appointment of Mr. George Saab as an Independent Director, Audit Committee Member, and Remuneration Committee Member replace to Dr. Virach Aphimeteetamrong who resigned, effective from 8 July 2010.

\*\*\* Mr. Mark Steven Mastrov resigned from director and his other positions in the company effective from November 8, 2010.

## Real Estate Committee

At the meeting of the Board of Directors No. 5/2005, held on November 7, 2005, it was resolved that Real Estate Committee be appointed, consisting of one executive director and two non-executive directors. Three of them have experience and expertise in fitness and real estate businesses. Names of the members of the Real Estate Committee are as follows:

- |                               |                                   |
|-------------------------------|-----------------------------------|
| (1) Mr. Eric Mark Levine      | Chairman of Real Estate Committee |
| (2) Mr. Vicha Poolvaraluck*   | Real Estate Committee Member      |
| (3) Mr. Mark Steven Mastrov** | Real Estate Committee Member      |

\* Mr. Vicha Poolvaraluk resigned from director and his other positions in the Company effective from January 24, 2011.

\*\* Mr. Mark Steven Mastrov resigned from director and his other positions in the Company effective from November 8, 2010.

## Management

As of 31 December 2010, the Company has 5 executives as follows:

- |                              |                              |
|------------------------------|------------------------------|
| (1) Mr. Eric Mark Levine     | Chief Executive Officer      |
| (2) Mr. William Alan Dobson  | EVP, Chief Financial Officer |
| (3) Mr. Simon Douglas Howard | VP of Sales                  |
| (4) Mr. Michael Edward Apple | Director of Operations       |
| (5) Mr. Surasak Kongpanya    | Country Fitness Manager      |

The Extraordinary Shareholders' Meeting No. 2/2004 held on 8 September 2004, the Board of Directors' Meeting No. 11/2004 held on 12 October 2004, attended by the Audit Committee resolved that the duties of the Board of Directors, Audit Committee, and Chief Executive Officer be specified as follows:

## Scope of Power and Duties of the Board of Directors

1. To manage the Company in accordance with the law, objectives, Articles of Association and resolutions of shareholders in an honest manner and with the aim to protect interests for the Company;

2. To have the power to form teams of directors/executives that will be responsible for operations as assigned by the Board of Directors, and to have the power to appoint the Chief Executive Officer and other committee such as nomination committee, remuneration committee as the case may be;

3. To set goal, guidelines, policy, plans of work and budget of the Company; to oversee the administration and management of the Management or any persons assigned to do such work to ensure compliance with the policy set out by the Board of Directors;

4. To review and approve the policy, directions, strategies, business plan for large investment project of the Company proposed by the Management;

5. To follow-up the outcome of work to ensure compliance with the plan and budget on an ongoing basis; and



6. To consider and approve other businesses which are necessary and related to the Company or deemed appropriate and contribute to the best interests of the Company

The following matter shall be subject to prior approval at the Shareholders' Meeting. A director having interests in a matter or a conflict of interests against the Company or subsidiaries shall not be entitled to vote for any such matter:

- (a) Matters which, by law, require resolution of Shareholders' Meeting; and
- (b) Transactions in which directors have interests and which, pursuant to the law or the regulations of the Stock Exchange of Thailand, require the approval of shareholders' meeting

The followings shall be also subject to approval at the Board of Directors' Meeting by the majority vote of the total directors attending the meeting and to approval at the Shareholders' Meeting by vote of no less than three-fourth of the total vote of shareholders attending the meeting and being entitled to vote.

- (a) Sale or transfer of the entire or some important parts of business of the company;
- (b) Purchase or the takeover of other company or private company;
- (c) Execution of, amendment to or termination of any agreement on the lease of the entire or some important parts of business of the company, or the assignment of other persons to carry on the business of the company or the merger with other person with the aim of sharing profit and loss;
- (d) Amendment to the Memorandum of Association or the Articles of Association of the company;
- (e) Increase or decrease of capital, issuance of debentures and merger or liquidation; and
- (f) Any other matters as prescribed under the provisions of the law on securities and/or regulations of the Stock Exchange of Thailand to require approval of the Board of Directors' Meeting or Shareholders' Meeting by the above-described number of vote.

## Scope of Power and Duties of Audit Committee

The Board of Director's meeting No.5/2008 held on 11 November 2008 has approved the revision of qualification, duties and responsibilities of the Audit Committee to comply with the notification of the Stock Exchange of Thailand "Qualifications and Scope of Work of the Audit Committee 2008". Currently, the Audit Committee shall have the following power and responsibilities:

1. Carry out Audit to ensure the financial reports are duly made and sufficiently disclosed in cooperation with external auditors and executives responsible for the preparation of both quarterly and annual financial reports; and consider financial statements and other relevant financial reports, accounting principles and accounting practices, compliance with accounting standards, existence of the business, significant change to accounting policy including reasons provided by the management in respect of the establishment of accounting policy before being proposed to the Board of Directors for further dissemination to shareholders and general investors. The Audit Committee may during the Audit of the Company's account suggest that the Audit Committee carry out Audit or examination on any other transactions as deemed necessary;

2. Develop guidelines and carry out Audit to ensure that the Company has an appropriate and effective internal control and internal audit in cooperation with both external and internal auditors develop plan and review the annual internal audit plan of the Company and evaluate the Audit results in cooperation with auditors and internal auditors taking into consideration problems and any restrictions imposed as a result of Audit the financial statements; and develop a plan to control the processing of electronic information and ensure the safety of the information to prevent any corruption or the misuse of computer by the Company's employee or any other third persons. Consider an independence of Internal Audit Department, as well as approve the appointment, transfer, and dismissal of Internal Audit Manager;

3. Carry out Audit the operation of the Company to ensure its compliance with the law on securities and stock exchange, regulations of the Stock Exchange of Thailand or any law that relates to the business operation of the Company;

4. Consider the selection and the proposal to appoint auditors of the Company; consider the remuneration of such auditors based on the independence, reliability, the sufficiency of resources, the amount of Audit works required for such Audit company and the experience of the person assigned to carry out the Audit of the Company's account, as well as to attend a non-management meeting with an auditor at least once a year;

5. Consider the connected transactions and/or the acquisition or disposal of securities of the Company to ensure that the Company compliance with all related rules such as SET's regulation etc, the entering of such transaction is reasonable and for the highest benefit of the Company, and the disclosure of the Company's information in case there could possibly be a conflict of interests in the connected transactions is correct and complete;

6. Perform any other acts as assigned by the Board of Directors and/or as deemed appropriate by the Audit Committee such as to review the policy of financial management and risk management, to review the compliance with the business ethics of executives, collaborate with executives of the Company in reviewing any important reports to be disclosed to the public as required by the law, for example the reports and analyses of management, etc.;

7. Prepare reports on the activities of the Audit Committee and disclose such reports in the annual report of the Company. The reports to be signed by the Chairman of the Audit Committee shall contain the following information :

- Opinion on the accuracy, completeness and reliability of the preparation process and the disclosure of information in the financial reports of the Company;
- Opinion on the sufficiency of the internal control system of the Company;
- Reasons to support the qualifications of the auditors of the Company for being appointed for another term;
- Opinion on the compliance with the law on securities and the stock exchange, regulations of the Stock Exchange of Thailand or any other laws relating to the business of the Company;
- Opinion on the Company's transaction that may lead to conflicts of interests;
- Number of the Audit Committee meetings and attendance of such meetings by each committee member;
- Opinion or overview comment received by the Audit Committee from its performance of duties in accordance with the charter; and
- Any other reports deemed necessary for shareholders and general investors within the scope of duties and responsibilities as assigned by the Board of Directors of the Company and/or with the aim of complying with the law.

8. Assess the performance of the Audit Committee;

9. In its performance of duties, if it is found or suspected that there is a transaction or any of the following acts which may materially affect the Company's financial condition and operating results, the Audit Committee shall report it to the board of directors for rectification within the period of time that the Audit Committee thinks fit

- A transaction which causes a conflict of interest;
- Any fraud irregularity, or material defect in an internal control system; or
- An infringement of the law on securities and exchange, the Exchange's regulation, or any law relating to the Company's business

If the Company's board of directors or management fails to make a rectification within the period of time under the first paragraph, any Audit Committee Member may report on the transaction or act under the first paragraph to the Office of the Securities and Exchange Commission or the Exchange; and

10. Perform any other acts to comply with the requirements under the provisions of the law on securities and/or regulations of the Stock Exchange of Thailand.

### **Scope of Power and Duties of Remuneration Committee**

Consider and propose to the Board of directors all appropriate remuneration for Board of directors and management of the Company in a money form and other benefits by taking into account all necessity and other benefits which the Company will get from managing, returns and valuable staff maintaining.

### **Scope of Power and Duties of Real Estate Committee**

1. To review and make recommendations to the Board in relation to new real estate and site locations of the Company and to determine terms and conditions, costs and expenditures of the real estate and site locations of the Company; and

2. To consider and approve entering into agreement(s) and/or transaction(s) between the Company and other person(s) in relation to real estate and site locations for use by the Company in its business operations e.g. renting or using an estate as a fitness centre of the Company, including renewing, terminating and doing or acting any acts related thereto, which must be subject to the conditions that the said agreement(s) and/or transaction(s) must be unanimously approved by all members of the Real Estate Committee; and

3. However if

(a) The Real Estate Committee cannot pass a unanimous resolution, or

(b) The agreement(s) and/or transaction(s) is related to the connected transactions, the acquisition or disposal of important assets of the Company, or

(c) The agreement(s) and/or transactions(s) in which the Real Estate Committee and/or any member of the Real Estate Committee or shareholders or persons who has a conflict of interest in any other manner may enter into with the Company, or

(d) The agreement(s) and/or transaction(s) is subject to the requirement of Board of Directors' approval and/or Shareholders' approval pursuant to the relevant laws, e.g. Public Company Act and Securities and Exchange Act, including any other regulations and notifications issued by the government authorities, e.g. Stock Exchange of Thailand, Office of Securities Exchange Commission, and etc., that agreement(s) and/or transaction(s) must be proposed to the Audit Committee's meeting and/or Board of Directors' meeting and/or Shareholders' meeting of the Company for further consideration and approval ( as requested by that law, regulation or notification).

### **Scope of Power and Duties of Chief Executive Officer**

1. To administer and oversee the operation of general administrative works of the Company;

2. To carry out any work assigned by the Board of Directors of the Company;

3. To have the power to hire, appoint, transfer, discharge, terminate, determine remuneration and commission for, and consider the increase in salary, remuneration and bonus of all employees of the Company at the level lower than executives;

4. To have the power to approve debt-related transactions such as loan etc., each having the amount of not exceeding Baht 10 million or equivalent;

5. To have the power to approve and sub-delegate in order to approve investment transactions such as investment sale-purchase activities, or procurement of properties and services for the benefit of the Company, including the power to approve any financial transactions of the Company each having the amount of not exceeding Baht 10 million;

6. To have the power to issue order, regulations, announcement, memorandum to ensure compliance with the policy and interests of the Company and to maintain working disciplines within the organisation;

7. To have the power to act and represent the Company in contact with third parties in the businesses that are related and beneficial to the Company;

8. To approve the appointment of advisors as may be necessary for the business operation of the Company; and

9. To carry out other duties as from time to time may be assigned by the Board of Directors of the Company

The Chief Executive Officer, however, shall have no power to carry out any business in or related to:

- Connected transactions;
- Acquisition or disposal of important assets of the Company and/or;
- Any transactions in which the Chief Executive Officer or persons having possible conflict, or persons having conflict of interest in any other manner may enter into with the Company and subsidiaries (if any)

In such case, the transactions shall be proposed to the Audit Committee and/or the Board of Directors of the Company (as the case may be) for approval.

### **Scope of Power and Duties of the Company's Secretary**

1. To administer the Board of Directors's activities such as the Board's meeting.

2. To Advise the Board on relevant rules, regulation and laws governing the performing of its duties

3. To coordinate with concerned parties in performing according to the Board's resolutions

4. To monitor the performance according to the Board's resolutions to ensure that Board's resolutions are complied.

5. To prepare the correct and complete Minutes of the Board's meeting

6. To keep records of the Minutes of the Board's meeting and relevant documents.

## Nomination of Directors

The nomination of directors of the Company is not made by the nomination committee but it is the duty and responsibility of the Board of Directors who shall consider and select directors according to the qualification criterion under Section 68 of the Public Companies Limited Act, B.E. 2535 (1992) and under relevant notifications of the Securities and Exchange Commission such as position held in other companies. Moreover, the directors shall be nominated from qualified persons who have different backgrounds and expertise including professionals in fitness business. Each will advantage the Company's operations by giving advice and opinions as a person who has direct experience, leadership, wide vision, morals and ethics as well as transparent backgrounds and ability to express opinions independently. After the selection by the Board of Directors, the list of nominees shall be proposed to the shareholders meeting for consideration and appointment.

Moreover, the Company offers an opportunity for shareholders to nominate qualified candidates for directorship under criterias and procedures defined by the Board of Director as SET's guidelines re "Best practices guidelines on ensuring that minority shareholders have the right to propose AGM agenda items in advance" and also disclosed in the Company's website. It is another intentions of the Company accordance to offer an opportunity for shareholders particularly minority shareholders to participate in the Company's operation.

Board of Directors will consider the election of Company's directors at the Shareholders' Meeting in compliance with the following criteria and methods:

- (a) One share shall confer upon the holder one (1) vote. ;
- (b) A shareholder shall vote to elect director individually; and
- (c) After the vote, the candidates shall be ranked in order descending from the highest number of votes received to the lowest, and shall be appointed as directors in that order until all of the director positions are filled Where the votes cast for candidates in descending order are tied, which would otherwise cause the number of directors to be exceeded, the remaining appointments shall be made by the casting vote of the Chairman.

At every Annual General Meeting, one-third of the Directors shall vacate the office. In case where the number of vacating Directors cannot properly reach the proportion of one-third, the Directors shall then vacate the office in a number that is as close to one-third as possible. Directors already vacate the office may be re-elected. The directors retiring from office in the first and second year after registration of the Company shall be selected by drawing lots. In subsequent year, the director who has held office longest shall retire. Directors already vacate the office may be re-elected.

In case of vacancy in the board of directors for reasons other than the expiration of directors's term of office, the board of directors shall elect a person who has the qualifications and possess no prohibited characteristics under Section 68 of the Public Company Limited B.E. 2535 as the substitute director at the next board of directors'meeting, unless the remaining term of office of the said director is less than 2 months. The substitute director under the above shall hold office only for the remaining term of office of the director whom he/she replace and shall receive the approval from the board of directors'resolution by a vote not less than three quarters of the number of directors remaining.

## Definition of "Independent Director"

"Independent Director" means a person who has no relevance towards the Company's management and/or the Company's business operations, and is independent from the Company's major shareholders and executives including close relatives of such persons, as well as is able to express opinions independently taking into account the benefits of the Company and the shareholders.

## Qualifications of Independent Director

1. Not possessing prohibited qualifications prescribed by relevant rules, regulations and laws;
2. Being selected by the Board of Directors and approved by the shareholders
3. Having knowledge and ability useful for the business operations of the Company;
4. Holding shares in the Company, whether by himself/herself or via related persons not exceeding 1% of the total number of shares with voting right;
5. Having no relevance towards the business operations of the Company as business partner, creditor, supplier, and etc., which may cause a conflict of interest;
6. Not being the Company's executive, employee or relative of major shareholders and/or executive, which may cause a conflict of interest;
7. Having no benefit from the Company as auditor, financial advisor or legal advisor;
8. An independent director must report the Board of Directors without delay there is any incident which may cause him/her to lack any qualifications of independent director.

## Remuneration

Remuneration Policy: The Board of Director has assigned the Remuneration Committee responsible for consideration the appropriateness of remunerations of directors and management. The Company has clear remuneration policy. Such remunerations are appropriate with scope of works, duties, and responsibilities of each director and have been compared with the remuneration of the other listed companies, which have similarity in sizing or same industry etc. They are under shareholder's resolution. Remunerations of managements are appropriate with their scope of works, duties, and responsibilities. Director who has additional duties and responsibilities will have additional remuneration

## Remuneration for Directors

Remunerations of 8 directors were THB 1,500,000 and THB 2,500,000 as of 31 December 2010 and 31 December 2009 respectively. The said remunerations include annually remuneration and meeting allowances as detailed below:



Item	Name	Position	Remuneration of Director (Thousand Baht)													
			Board of Directors				Audit Committee		Remuneration Committee		Real Estate Committee		Total			
			2553		2552		2553	2552	2553	2552	2553	2552	2553		2552	
			Annual	Meeting fee*	Annual	Meeting fee*	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Meeting fee*	Annual	Meeting fee*
1	Mr. Eric Mark Levine	Chairman	83.10	27.00	138.50	45.00	-	-	-	-	68.40	114.00	151.50	27.00	252.50	45.00
2	Mr. Gorge Saab	Independent Director & Audit Committee	83.10	27.00	138.50	45.00	-	-	-	-	-	-	83.10	27.00	138.50	45.00
3	Mr. Mark Steven Mastrov**	Non Executive Director	83.10	27.00	138.50	-	-	-	55.80	93.00	55.80	93.00	194.70	27.00	324.50	-
4	Mr. Vicha Poolvaraluck	Non Executive Director	83.10	27.00	138.50	45.00	-	-	-	-	55.80	93.00	138.90	27.00	231.50	45.00
5	Mr. Verawat Ongvasith***	Non Executive Director	83.10	27.00	138.50	-	-	-	55.80	93.00	-	-	138.90	27.00	231.50	-
6	Dr. Virach Aphimeteetamrong****	Independent Director & Chairman of Audit Committee	83.10	27.00	138.50	45.00	97.20	162.00	68.40	114.00	-	-	248.70	27.00	414.50	45.00
7	Mr. Prinya Taithongchai	Independent Director & Audit Committee	83.10	27.00	138.50	45.00	81.00	135.00	-	-	-	-	164.10	27.00	273.50	45.00
8	Mr. Sirot Setabandhu	Independent Director & Audit Committee	83.10	27.00	138.50	-	81.00	135.00	-	-	-	-	164.10	27.00	273.50	-
Total			664.80	216.00	1,108.00	225.00	259.20	432.00	180.00	300.00	180.00	300.00	1,284.00	216.00	2,140.00	225.00

**Note:**

1. The Shareholders' meeting No. 1/2010 on 8 April 2010 resolved that remuneration for directors for year 2010 be set at not exceeding Baht 1,500,000 per year and the Remuneration Committee is authorized to determine the amount to be distributed to each director.
2. The Shareholders' meeting No. 1/2009 on 17 April 2009 resolved that remuneration for directors for year 2009 be set at not exceeding Baht 2,500,000 per year and the Remuneration Committee is authorized to determine the amount to be distributed to each director.

\* The annual meeting fee is determined by the attendance of the directors at the annual Shareholders' meeting of the following year.

\*\* Mr. Mark Steven Mastrov resigned from director effective from November 8, 2010.

\*\*\* Mr. Verawat Ongvasith resigned from director effective from November 24, 2009.

\*\*\*\* Dr. Virach Aphimeteetamrong resigned from independent director, Chairman of Audit Committee, and Chairman of Remuneration Committee, effective from April 9, 2010.

## Remuneration for Management

As of 31 December 2010, the remuneration of 5 Executives was THB 26.50 million. As of 31 December 2009, the remuneration of 5 Executives was THB 55.63 million. The said remuneration includes salary, bonus and other benefits.

## Other Remunerations

1. As of 31 December 2010, the Company has suspended the consultant fee to Mr. Mark Steven Mastrov according to the Board Meeting No. 1/2010 on 13 January 2010. As of 31 December 2009, the Company paid the consultant fee of THB 4,080,000 to Mr. Mark Steven Mastrov according to the Board Meeting No. 1/2009 on 12 January 2009.

2. The issuance and offering of warrant under Employee Stock Option Plan (ESOP) to directors and executives as follows:

Name	Position	Unit (Million)	%
Mr. Eric Mark Levine	Chairman / Chief Executive Officer	5.00	31.25%
Mr. Mark Steven Mastrov*	Non Executive Director	0.30	1.88%
Mr. Vicha Poolvaraluck	Non Executive Director	0.50	3.13%
Mr. Verawat Ongvasith**	Non Executive Director	0.30	1.88%
Dr. Virach Aphimeteetamrong***	Independent Director /Chairman of Audit Committee	0.30	1.88%
Mr. Sirot Setanbandhu	Independent Director / Audit Committee	0.15	0.94%
Mr. Prinya Taithongchai	Independent Director / Audit Committee	0.15	0.94%
Mr. William Alan Dobson	EVP / Chief Financial Officer	1.40	8.75%

Remark :

\* Mr. Mark Steven Mastrov resigned from director effective from November 8, 2010.

\*\* Mr. Verawat Ongvasith resigned from director effective from November 24, 2009.

\*\*\* Dr. Virach Aphimeteetamrong resigned from independent director, Chairman of Audit Committee, and Chairman of Remuneration Committee, effective from April 9, 2010.

## Comparison between Remuneration of Directors of the Company and Other Listed Companies

Unit: In Thousand Baht

Description	California Wow		Listed companies (2009)*											
			Listed companies in Tourism and Leisure Sector			All listed companies			Listed companies with annual income of Baht 1,000 million or more but less than Baht 5,000 million			Listed companies with annual net loss		
	2010	2009	Minimum	Average	Maximum	Minimum	Average	Maximum	Minimum	Average	Maximum	Minimum	Average	Maximum
Chairman of the Board of Directors	83.10	138.50	150.00	442.05	1,100.00	6.00	895.78	9,835.42	20.00	637.48	5,060.00	10.00	478.33	4,630.00
Director	83.10	138.50	98.64	343.35	852.22	4.94	527.98	5,051.66	36.36	407.67	4,277.78	4.94	320.97	2,286.48
Chairman of the Audit Committee	97.20	162.00	45.00	225.33	400.00	36.00	266.60	3,500.00	40.00	199.38	625.00	45.00	177.89	625.00
Audit Committee Member	81.00	135.00	33.75	191.29	333.33	15.00	218.91	2,660.00	15.00	179.59	1,633.33	31.67	150.84	465.00

\* Source of Information: Information on remuneration of directors and executives of listed companies for the year 2009 prepared by the Securities Exchange of Thailand

## Corporate Governance

The Board of Directors policy is to comply with the Code of Best Practice for Directors of Listed Company in accordance with the guidelines laid down by the Securities Exchange of Thailand whereby at the Board of Directors' Meeting No. 11/2004, held on 12 October 2004, the policy on corporate governance were established as follows:

1. To provide fair and equitable treatment to all shareholders;
2. To impose the structures of the Board of Directors and committees divided by their duties and responsibilities whereby apart from the Board of Directors, other committees may be set up and the roles, duties and responsibilities of each committee shall be clearly defined;
3. To carry on business in a transparent manner and attach great importance to clear, sufficient and timely information disclosure;
4. To carry on business with care, especially for risks, whereby there shall be risk assessment and remedial strategy, and risk management shall be regularly monitored;
5. To make the executives and employees well aware of good morals in performing their duties.

The Company realizes the importance of the principles of Good Corporate Governance. The Company has formulated it in part of the Business Ethics. The Company believes that the Business Ethics will help promote and support the reliability of the Company's operations to the public especially to the stakeholders. The Company has the policy to encourage and drive the employees at all level as directors, managements, and employees to realize and practice the Business Ethics at work and has published the Business Ethics Manual and announced to the employees at all level to strictly comply. The Company's Business Ethics Manual covering the following principles:

1. Statement of Purpose
2. Basic Principles
3. Conflict of Interest
4. Business Gifts and Entertainment
5. Fraud and Accuracy of Records
6. Confidential and Proprietary Information
7. Commercial Transactions
8. Public Statements, Community Relation, and Government Inquires
9. Conduct Toward Employees

Apart from the policy on corporate governance and Business Ethics stated above, the Board of Directors also attaches great importance to the compliance with the principles of good corporate governance and the Code of Best Practice for Directors of Listed Company in accordance with the guidelines laid down by the Securities Exchange of Thailand and the Office of the Securities and Exchange Commission. The Company has complied with the principles of good corporate governance in accordance with the codes on good corporate governance of the Securities Exchange of Thailand, contents of which are divided into 5 chapters as follows:

## Chapter 1: Rights of Shareholders

According to the policy formulated by the Board of Directors, the Company shall comply with the principles of good corporate governance, covering the following principles:

- Rights and equality of shareholders and interested parties;
- The Board of Directors aims to increase the value for the Company whereby the Company shall manage the business with care and always take risks into account for maximum benefit of the shareholders
- Carrying on business in a transparent manner and full disclosure of information;
- Carrying on business taking into account business ethics.

The Company realizes and attaches importance to the rights of shareholders and attempts to maintain the rights of the Company's shareholders. In this regard, the shareholders have the following statutory rights:

### 1. The rights to vote and give opinions

The shareholders have the rights to vote and give opinions equitably as stated in the Articles of Association of the Company whereby one share shall have one vote.

### 2. The right to be informed of the results of the Company's operations

The shareholders have the right to be informed of the results of the Company's operations, especially annual operation results, whereby the Company has prepared a clear and complete document on explanation for annual operation results covering substantial information regarding past performance of the Company

### 3. The rights to consider and approve the Company's financial statements

The shareholders have the right to consider and approve the Company's financial statements whereby the Company has prepared accurate, complete and reliable financial statements covering substantial information in accordance with generally accepted accounting standards and have independent auditor audit the Company's financial statements and express opinions thereon.

### 4. The right to receive dividends from the Company's operations

The shareholders have the rights to consider and approve dividend payment of the Company whereby the Company has prepared clear and accurate details of dividend calculation covering substantial information useful for the consideration by the shareholders, such as policy on dividend payment, information on a comparison between actual dividend payment and dividend policy, information on a comparison with dividend payments for previous years. In this regard, the Company shall explain reasons and necessities in case the Company is unable to make dividend payment according to the dividend payment policy announced before. The dividend payment proposed to shareholders for approval is carefully considered and resolved by the Board of Directors

### 5. The rights to consider and appoint each director of the Company

The shareholders have the rights to consider and appoint each director of the Company whereby the Company has used voting cards for individual directors' election, prepared clear and accurate details and backgrounds of each nominee covering substantial information useful for the consideration by the shareholders, such as age, name, education, work experience, number of years in the position and past performance (in case of re-election) and category of director, criterion and procedures for selection, shareholding in the Company, positions held in other companies whether related or not related to the business operations of the Company. In this regard, the term "independent director" has been defined on the subject of selection of independent director. The nominated director is carefully considered and resolved by the Board of Directors prior to propose to the Company's shareholders for approval.

#### **6. The rights to consider and approve remuneration of the Company's directors**

The shareholders have the rights to consider and approve remuneration of the Company's directors whereby the Company has prepared clear and accurate details of remuneration of the Company's directors covering substantial information useful for the consideration by the shareholders, such as remuneration policy, elements of remuneration and non-monetary benefits (if any) segregate by position, duty and responsibility of director, comparison with remuneration in previous years, procedures for offering remuneration, etc. The director's remunerations are carefully considered by the Remuneration Committee and resolved by the Board of Directors prior to propose to the Company's shareholders for approval.

#### **7. The rights to appoint auditor and approve audit fee**

The shareholders have the rights to consider and appoint an auditor as well as approve audit fee whereby the Company has prepared clear and accurate details covering substantial information useful for the consideration by the shareholders, such as auditor's name, audit office to which he/she has attached, independency of such auditor, number of years of his/her performance as an auditor for the Company, remuneration of auditor clearly divided between audit fee and other service charges (if any) and comparison with audit fee of previous year, etc. Auditor and audit fee are carefully considered based on their knowledge, competency, experience, performance including of scope and quantity of work and resolved by the Audit Committee and the Board of Director prior to propose to the Company's shareholders for approval.

#### **8. The rights to consider and approve connected transactions**

To protect the shareholders' benefits, the shareholders have the rights to consider and approve any connected transaction with substantial value whereby in entering into a connected transaction, the Company shall take into account maximum benefits of the Company and the shareholders and such transaction shall be considered by the Audit Committee which entirely consists of independent directors. Steps in approving connected transactions have been explained on the topic of "Steps in approving connected transactions" in this annual report.

#### **9. Basic rights of the shareholders according to related rules, regulations and laws**

For instance, the Company proposed the capital increase of 402,000,899 shares for increased capital through Right Offering which has been approved from the Extraordinary Shareholders Meeting No. 1/2010 on January 6, 2010, the Company has prepared clear and accurate details covering substantial information useful for the consideration of the shareholders, such as objectives and necessity for the increased capital, procedures and conditions, impacts to the company and shareholders etc. and has been carefully considered and resolved by the Board of Directors prior to propose to the Company's shareholders for approval. During the meeting, the shareholders present shall be encouraged to exercise their rights in questioning the Board of Directors about the matters discussed at the meeting including other matters relating to the capital increase such as its objectives.

### **Chapter 2: Equitable Treatment to All Shareholders**

The Company realizes and places importance to fair and equitable treatment to all shareholders. All shareholders of the Company, who are executives and non-executives, as well as foreign shareholders and minor shareholders, shall be equitably treated in accordance with the following details:

#### **1. Support for Access to the Company's Information**

The Company disseminates the Company's information and news via the Company's website at [www.californiawowx.com](http://www.californiawowx.com) in both Thai and English versions in order that all shareholders shall equitably acknowledge the Company's up-to-date information. Details of the information disseminated via the Company's website have been described in Chapter 4: Information Disclosure and Transparency.

## 2. Holding of Shareholders Meeting

In the year 2007, the Company held the Annual General Shareholders' meeting No. 1/2007 on 20 April 2007 at Esplanade Club to offer the shareholders the opportunity to visit and oversee the Company's club environment to gain a better understanding of the Company's business operations. In the year 2009 and 2010, the Company held the Annual General Shareholders' meeting No. 1/2009 and 1/2010 on 17 April 2009 and 8 April 2010 respectively at the Pan Pacific Hotel, Bangkok as business centre of Bangkok to facilitate shareholders who attend the AGM. It is the intention of the Company on equitable treatment to all shareholders of the Company. The Chairman of the Board of Directors, the Chairman of each sub committee, Company's directors including audit committee members and other sub committee members, Chief Executive Officer, and financial executive as well as auditors committed to attend all company's meetings, except in case of engagement in other important matters. The Company's directors including audit committee and other sub committee members as well as Chief Executive Officer and financial executive realize the importance of attending the Shareholders' meetings and intend to attend every Shareholders' meeting. The Processes of the Shareholders' meeting are as follows:

*Proceedings prior to a meeting of shareholders:* In holding a meeting of shareholders, the Company shall take into account the convenience of each shareholder in attending the meeting by fixing a normal working date and time for the meeting and choosing the place of the meeting at a business centre, provide minority shareholders the opportunity to propose issues as meeting agenda including qualified candidates for directorship under criterias and procedures defined by the Board of Director as SET's guidelines re "Best practices guidelines on ensuring that minority shareholders have the right to propose AGM agenda items in advance" and also disclosed in the Company's website such as minimum of shareholding of 1,000,000 shares or 0.18% either a single shareholder or several shareholders combined and held those shares, details of proposal of agenda item, accepted or unaccepted agenda item, channel of proposal of agenda item such as sending the letter to the Board through secretary of the Company, period of proposal, inform the results of consideration to the shareholders' meeting. Sending at least 14 days notice of the shareholders meeting together with supporting documents such as detailed information for each agenda, annual report, location map, proxy form, relevant rules and regulations i.e. procedure for attending the meeting etc. Such notice of the shareholders meeting and the related documents are also disclosed in the Company's website as another communication channel to enable the shareholders to access to the necessary information on a timely basis in order to facilitate the shareholders' attending the meeting to have sufficient time and information for study and preparing for the meeting. The notice of the meeting of shareholders shall comprise agenda of the meeting which are important and useful for the shareholders, together with explanation for reasons and necessities and the Board of Directors' opinions on each agenda. For the shareholders who cannot attend the meeting by themselves, the Company allows such shareholders to exercise their rights by appointing proxy according to the form which they are able to specify their votes and procedures for appointing proxy enclosed to the notice of the meeting of shareholders whereby the Company has its independent directors act as proxy. Details/Backgrounds of the independent directors have been described in the notice of the meeting of shareholders. In addition, the Company gives an opportunity for shareholders to submit questions regarding agenda items before the meeting date via the Company's website, bring it to prepare information and reply to shareholders on the meeting.

*Proceedings during the meeting of shareholders:* The Company has staff provide services and accommodations to the shareholders in registering and provides sufficient time for their registering as well as prepares duty stamps for the shareholders' proxy. In addition, the Company has appointed legal consultants to inspect the vote-counting procedure and maintain the meeting to comply with related laws and regulations including articles of association.

Before the beginning of the meeting of shareholders, the Company Secretary informs the shareholders of the number/proportion of shareholders present at the meeting and the number/proportion of shareholders appointing proxy as well as the procedures for voting for a proper understanding by the shareholders present. The meeting of shareholders shall be conducted in order of the agenda indicated in the notice of the meeting with no other business in addition to those specified in the notice of the meeting. During the meeting, the shareholders present shall be encouraged to exercise their rights in questioning the Board of Directors about the matters discussed at the meeting including other matters relating to the Company's operations, allow shareholders who arrive late can participate in the meeting for remaining agendas, as well as to give suggestions or opinions useful for the Company's management



Moreover, the Company try to improve the registration system of shareholders' meeting to be efficiency and effectiveness. Reference to the Extraordinary Shareholders meeting no. 1/2010 held on January 6, 2010 to consider and approve the capital increase, the Company used the system of register and vote counting (Barcode System) from Thailand Security Depository Company Limited (TSD) to ensure that the registration and vote counting are accurately, quickly, and reliably. The Company intends to use such system in next shareholders meeting.

*Proceeding after the meeting of shareholders:* The Company prepares accurate and complete minutes of the shareholders meeting covering important information such as directors present or absent at the meeting, voting and counting procedures each agenda voting results either agree, object or abstain and including enquiries and explanations during the shareholders meeting to enable the shareholders to review the matters. The minutes of the Shareholders' meeting will be submitted to SET within 14 days after the meeting and also be disclosed in the Company's website to enable the shareholders to access to the information and express opinion in a timely basis

### **3. Entering into Connected Transactions**

The Board of Directors realizes the importance of the entering into connected transactions. The Company shall enter into connected transactions, taking into account maximum benefits of the Company and the shareholders in accordance with general price conditions and business competitions whereby the prices and business conditions shall be on the Arms-Length Basis. The connected transactions of the Company must be considered by the Audit Committee entirely comprising of independent directors. Steps in approving connected transactions have been described on the topic of "Steps in Approving Connected Transactions" in this annual report.

In addition, the internal audit department shall contain the subject of "Examination of the Compliance with the Criterion for Entering into Connected Transactions" in the annual audit plan. For the year 2010, the internal audit department has examined the connected transactions in accordance with the Notification of the Securities and Exchange Commission re "Disclosure and Procedures of Listed Companies for Connected Transactions (Volume. 2), 2004" and has reported the examination results to the Audit Committee at the meeting of the Audit Committee No. 1/2011, held on February 23, 2011. According to the examination results, the Company has correctly and completely complied with the said Notification. Details of the connected transactions of the Company have been described on the topic of "Connected Transactions" in this annual report.

### **4. Usage of the Company's Inside Information**

The Board of Directors realizes the importance of usage of the Company's inside information for personal purposes. Therefore, the Company has the written policy to keep inside information in secret among related persons only as well as impose severe penalties for the person who uses the Company's inside information, details of which are as follows:

#### **Regulations on Usage of the Company's Inside Information**

1. The Company's directors, committee members, executives, staff and employees shall protect the confidentiality and/or inside information of the Company.
2. The Company's directors, committee members, executives, staff and employees shall not disclose or seek benefit from the confidentiality and/or inside information of the Company for their own benefit or for any other person's benefit, whether directly or indirectly, with or without remuneration.
3. The Company's directors, committee members, executives, staff and employees shall not sell, purchase, transfer or accept transfer of the Company's securities by using the confidentiality and/or inside information of the Company and/or enter into any other juristic acts by using the confidentiality and/or inside information of the Company, which may cause damage to the Company, whether directly or indirectly. These regulations shall cover spouses and minor children of the Company's directors, committee members, executive, staff and employees. Any person who violates these regulations shall be deemed committed serious offence.

In addition, all of the directors, committee members and executives have signed to acknowledge responsibilities and duties in reporting the securities holding in the Company by themselves including by their spouses and minor children, as well as reporting changes in their securities holding to the Office of the SEC and the SET according to Section 59 and penalty provisions under Section 275 of the Securities and Exchange Act, B.E. 2535 (1992).

All of the directors, committee members and executives have the duty to report the securities holding by themselves and by their spouses and minor children to the Office of the SEC and the SET as follows:

1. Report on initial securities holding (Form 59-1) within 30 days from the closing date of the public offering or the date of being appointed as director, committee member or executive
2. Report on change in securities holding (Form 59-2) upon every purchase, sale, transfer or acceptance of transfer of securities within 3 days from the date on which the transaction takes place as well as submission of a copy of this report to the executive committee of the Company to be kept as evidence

### **Chapter 3: Roles of Stakeholders**

The Company places importance to the rights and equitable treatment to stakeholders who have relevance to the Company's operations whereby the Board of Directors realizes the rights of the stakeholders and treats them in accordance with the rights, conditions, provisions of laws and regulations in order that they shall be well treated, details of which are as follows:

*Shareholders:* The Company realizes the importance of shareholders whether majority/minority shareholders or Thai/Non-Thai shareholders as owner of the Company. The Company has performed by carefully, taking into account maximum benefit of shareholders as described on the topic of "Rights of Shareholders and Equitable Treatment to all Shareholders" in this report.

*Executives:* The Company realizes the importance of the executives who play the important roles in formulating strategies and operation plans as well as supervising the Company's business operations to be in line with the business scope, direction and target set by the Board of Directors so the Company offer the executives proper and fair remuneration comparable to the average of other listed companies in the same industrial and also offer ESOP as consideration and incentive to encourage the executives to dedicate to management of the Company to achieve the business target set.

*Staff:* The Company realizes the importance of the staff as supporters who enable the Company's work plans to achieve the business target set so the Company fairly and equitably treats the Company's staff as follows:

*Pleasant working environment:* The Company provides an orientation course for new staff in order to orient their attitude and vision to the organization's culture and vision as well as to give opportunity to the staff in every level to freely express their opinions useful for development of working systems within a proper limit.

*Continuous development of the Company's personnel:* It is the policy of the Company to prepare definite personnel development plans as the Company realizes that quality personnel will be a strong drive for the organization's success. Thus, for efficiency and effective operations, the Company has the policy to encourage continuous development of staff in every level from staff level thru executive level to have knowledge and ability in both theories and practices in order that the staff shall have skills to perform works efficiently and effectively. The Company has training unit which shall assist the development of specific knowledge and skills using advice from experienced personnel of each line, and moreover, the Company encourages the personnel to regularly join related training courses or seminars inside and outside the office.

*Fair and proper remuneration:* The Company offers fair and proper remuneration to staff in every level taking into account their knowledge, ability and scope of duties and responsibilities, and properly increases the remuneration taking into account their performance assessed by the Company and the results of the Company's operation on a yearly basis.

*Opportunities for career progression:* The Company has definite work plans and position to ensure that the Company's staff will be fairly and equitably promoted whereby the promotion shall be made taking into account their performance assessed by the Company on a yearly basis.

*Staff welfare:* The Company has a clear policy on staff welfares including provident fund, life insurance, medical fee, dental treatment fee, entitlement to membership (for free) and usage of fitness services in every fitness center of the Company as well as fairly fixes specific dates and hours for work and for holiday.

*Members :* As the Company realizes the importance of the Company's members, the service charges and conditions have been fairly and properly imposed in line with the service potential of the Company. Moreover, the Company has imposed measures for taking care of the Company's members consecutively for maximum benefit of the members as follows:

*Service provision by quality personnel:* The Company gives importance to the Company's personnel development according to the details mentioned above, including the personnel who provide services in the fitness centers of the Company such as front officers, sales officers, trainers and etc. These personnel have passed strict selection systems and training courses of the Company in order that the Company's member shall receive good and standard services as expected by the Company. The Company's members may ask for practical advice from the Company's experts about doing exercise and using exercise equipment at all times without any charge, as well as ask for additional information regarding health such as nutrition, and etc.

*Provision of modern, quality and safety exercise equipment:* The Company gives importance to exercise equipment as the Company is of the view that modern, quality and safety exercise equipment will stimulate the members to love exercising and pay more attention to exercise as well as will help reduce risk of being injured from exercise. The Company has clear practices in provision of exercise equipment whereby the exercise equipment have been carefully selected and tested by experts before installation at the Company's fitness centers. In addition, the Company has the system for checking exercise equipment efficiency operated by trainers who have long experience with those exercise equipment and a warning sign shall be hanged up without delay if any exercise equipment is found defected

*Security systems in the Company's fitness centers:* The Company has a working unit directly responsible for operating security systems in the Company's fitness centers. Before opening, related officers shall check the readiness of the fitness centers including security systems such as CCTV. Moreover, the Company provides security guards to service the members throughout the service hours of the fitness centers.

*Measures for taking care of the members' properties and valuables:* The Company has provided officers directly responsible for taking care of the members' properties and valuables kept in lockers while the members are exercising. The said officers shall perform duties by walking around checking the condition of lockers. If any locker is found unlocked and there is a risk that the member's properties or valuables will be lost or stolen, the officers shall collect and keep such properties and valuables in order to return them to the member after he/she finishes exercising.

*- Working unit for providing accommodations and accepting complaints:* The Company has set up the Customer Service Department, whose duties are to provide information concerning the Company's services, to accommodate the members as may be requested by the members as well as to accept complaints from the members via WOW Member Service Center, gather the complaints from the members and prepare a report to related person for handling in accordance with the rules and regulations of the Company and finally inform such members who submit the complaints of the results of action taken by the Company and also use the complaints to improve the service systems of the Company.

- *Compensation measures to members for violations of law by the Company:* As mentioned above, the Company has set up the Customer Service Department, to accommodate the members as may be requested as well as to accept complaints from the members. Thus, in case of member's complaints regarding the violations of law by the Company's Officer such as by sales staff, the Company has imposed the compensation measures to treat the members fairly. Details and/or conditions of the compensation depend on facts and discussions between the member or his/her representative and the Company on case by case basis.

*Relaxation of service conditions for the members who have certain necessities:* The Company realizes that it is unable to control certain necessities that cause the members to lose benefit in using services from the Company. Therefore, the Company assigns the Customer Service Department to do the duties as an advisor of the members who have such necessities to jointly find out best solution, taking into account maximum benefit of the members. For example, in case a member has an accident until he/she must receive medical treatment in a hospital for a long time, the member must lose benefit because of the act of god that prevents him/her from using services during the treatment while the member has a term of membership as specified in the service agreement jointly made. In this case, the Company shall grant relaxation by not counting the period of time during which the member is receiving medical treatment for the term of membership specified in the agreement. How long the relaxed period will be, depends on the negotiation between the member or his/her representative and the Company. etc.

*Creditors :* The Company realizes the roles and importance of the creditors as financial supporters of the Company so the Company strictly complies with the borrowing conditions agreed upon between the creditors and the Company, for example, using the loans in accordance with stated objectives and repaying principal and interest by instalment as well as complying with other financial conditions (if any).

*Suppliers :* The Company realizes the importance of the Company's suppliers in supporting and pushing the business of the Company to run smoothly, therefore, the Company fairly treats the Company's suppliers in accordance with trading conditions agreed upon.

*Competitors :* The Company carries on the business by sticking to fair competition covenants, placing emphasis on development of business competition potential and service quality, and has no policy to destroy the competitors with condemnation or any dishonest act.

*Business Partners :* The Company realizes the importance of business partners of the Company in assisting, supporting and pushing the Company's business to grow and achieve the business target aimed for. Thus, the Company treats the business partners by taking into account fair benefits of both parties and complying with business agreements made together.

*Society and Community :* The Company realizes and sees the importance of good health of the people in society/ community. The Company is of the view that when the people in society/community have good physical health, their mental health will be better. Once the people in society/community have good physical and mental health, they will be quality persons. As a result, the crime/drug problems will be reduced. That indirectly assists the development of the nation. Therefore, the Company has established clear policy to push and encourage everyone in society/community to pay attention to and take care of health by exercise whereby the Company has fixed fair price at proper rate to encourage the people in society/community to use fitness centers of the Company to exercise as well as provide knowledge and information on health and exercise via the Company's media such as website and etc. It can be seen that the Company's members consist of people of every gender and every age, including students, working men/women and elders, which reflect the Company's intention to implement the said policy. In addition, the Company places importance on assistance for society/community in various occasions such as donations to help victims, etc.

*Environment* : Due to the nature of the Company's business, it is necessary to have music to arouse members to be enjoyable during workout. The music may create noise pollution disturbing the community nearby the fitness clubs. The Company has implemented a clear and appropriate policy and working procedure following the relevant laws and regulations such as Public Health Acts in order for all Company's club staff to strictly comply with. The Operation Managers are responsible for monitoring and looking after their personnel to ensure the compliance to such procedure. In case of any violation, there will be either verbal or written warning or punishment as the case may be. In addition, the Company also emphasize on other environment preservation such as energy savings on electricity and water, the promotion of non-smoking in the Company's fitness clubs etc. In the previous years, the Company received a few complaint from this issue. Such complaints were already investigated and resolved by the Company and feedback to complainer.

*Government Authorities and Other Relevant Authorities* : The Company realizes the roles, duties and responsibilities of government authorities and other authorities towards the Company's operations. The Company intends to give cooperation in complying with the rules, regulations and laws related to the Company's operations in order to relieve the burden of the authorities. The Company has established the internal audit department to be responsible for checking the compliance with the rules, regulations and laws related to the Company's operations and for reporting the results thereof to the Audit Committee on a yearly basis.

## **Chapter 4 : Information Disclosure and Transparency**

The Company equitably gives importance to all groups of investors whether they are individual investors, institutional investors, securities analysts or fund managers inside or outside the country whereby the Investor Relations Department has been set up to be a representative in disclosing accurate, reliable and up-to-date data and information. The Company has arranged several activities to give the Company's substantial information and news to the investors without exception, for example, stating operation results of the Company and holding symposiums to let interested local and foreign analysts or investors discuss with the executives in order to acknowledge the Company's movement. Moreover, the Company has consecutively submitted the information in forms of quarterly financial statements, financial information, operation results, annual reports and other reports to the Securities Exchange of Thailand as well as disseminated such information via the Company's website: [www.californiawowx.com](http://www.californiawowx.com)

The Company's website is another communication channel to support the access of information useful for the shareholders and the stakeholders of the Company. It is provided in both Thai and English. The information including significant information both financial and non-financial information particularly in section of "Investor Relations" which contained significant information as follows:

Corporate Information: comprise of corporate profile, milestone, message from Chairman, Corporate structure, Board of Directors and Management and Corporate Governance including information accordance with good corporate governance of the Company such as policy, the result of policy implementation, business ethic, policy and criteria of equitable treatment to shareholders and other stakeholders e.g. member, environment, and society/community.

Financial Information: comprise of financial highlights, financial report, annual report, and list of major shareholders.

Newsroom: it is the center of the Company's news and disclosure of information released to related organization such as, SET, press, Shareholders including the disclosure of information relating to the shareholders meeting such as criterias and procedures on shareholders have the right to propose AGM agenda items in advance, invitation of shareholders meeting, and Minutes of meetings.

Investor enquiries: offer the interested person to register and get the Company's and the Investor Relation's information through email automatically and to have direct communication with the Investor Relation personnel.

Download: comprise of significant information of the Company such as annual report, financial report, and Company's presentations.

The Company has set up the Investor Relations function to be responsible for investor relations. Details as follows:

Name	Position	Contact Information
Mr. William Alan Dobson	EVP, Chief Financial Officer	Telephone number: (662) 632-1255 Email: williamdobson@californiawowx.com

The Company has assigned the internal audit department to assess the efficiency and effectiveness of disclosure both financial information and non-financial information relating to shareholders' meeting, connected transaction (both disclose in financial statement and annual report/56-1), website, public news etc. The internal audit department has compliance test the Company's disclosure under relevant rules, regulation, and laws such as AGM's guideline, exchange act relating to the entering of connected transaction and asset's acquisition and disposal, manual of listed company relating to disclosure etc. The results will directly report to the Audit Committee for consideration and bring it to improve the disclosure of the Company to conduct it in accordance with related rules, regulations, and laws and for the best benefit of stakeholders.

The Board of Directors is responsible for preparing the "Statement of board's responsibility concerning the company's financial report", having financial statements and financial information correctly and completely prepared in accordance with generally accepted accounting standards of Thailand and audited by independent auditor by using proper accounting policy and regularly complying therewith, carefully exercising discretion in preparing the said statements as well as disclosing sufficient information in the notes to financial statements. Such report has signed by Mr. Eric Mark Levine as chairman of the board and Chief Executive Officer. In this regard, the Board of Directors has appointed the Audit Committee to be responsible for the quality of the financial reports and internal audit systems. The opinions concerning such matter have been described in the Audit Committee's report presented in the Company's annual report.

## Chapter 5 : Responsibilities of the Board of Directors

*Imposition of visions and business targets* : The Board of Directors has the duties and responsibility to impose visions and targets on operations, strategies and business plans whereby they shall participate in the consideration and decision making by using experience and expertise in business to make plans for efficient and effective operations for maximum benefits of the Company and overall shareholders.

*Controlling of the management* : The Board of Directors realize the importance of controlling of the management in supporting to carry out the balance of power in the Company's operation and achieve above visions and targets on operations, strategies and business plans. The Board of Director has closely monitored performance of managements, discussed with them on the Board's meeting, assigned them to prepare and submit the Company Performance Report to all directors by monthly basis.

*Good Corporate Governance* : The Board of Directors realize the importance of the practice of good Corporate Governance to enhance the Company's competitiveness towards business prosperity and sustainable growth. The Company has set the written policy for the Good Corporate Governance and supported and encouraged employees in all level to realize its importance as details described above



*Ethics and business conduct* : The Company has published the code of ethics or statement of business conduct written manual in order that all of the directors, committee members, executives and employees shall be aware of the performance standards set by the Company as guidelines for honest performance of everyone. For the monitoring procedures, the Company has set up the Customer Service Department, whose duties are to provide information concerning the Company's services, to accommodate the members as may be requested as well as to accept complaints from the members. Thus, in case of member's complaints regarding the misconduct of business ethics such as by sales counsellors, the Company has clear regulations to proceed by having Human Resources to directly handle the case.

*Conflict of interests* : The Board of Directors carefully, honestly and reasonably considers solving the conflict of interest problems with good morals as well as fully discloses information for the benefits of the Company and the shareholders. The procedure for connected transactions have been explained under the topic of "Corporate Governance: in chapter 2 Equitable Treatment to All Shareholders" in this report.

*Responsibility for financial reports* : The Board of Directors has prepared a report on the responsibility of the Board of Director towards financial reports by presenting the said report together with the certified auditor's report and disclosing such report in this annual report. The Board of Directors is responsible for the financial statements and financial information appearing in the annual report, building and maintaining of effective internal control systems, taking care of the Company's properties, entering into connected transactions which may lead to a conflict of interests. Moreover, the Board of Directors must ensure that the Company has sufficient internal control systems which can reasonably ensure the reliability of the Company's financial statements.

*Internal audit and internal control systems* : The Company has established the internal audit department to be responsible for internal audit and examination of internal control systems. The internal audit department of the Company is an independent unit and reports directly to the Audit Committee.

**Internal Control Systems:** The Company aims to have workable internal control systems to achieve the following 3 objectives:

1. To carry out work efficiently and effectively;
2. To make the Company's financial reports accurate and reliable;
3. To conduct the Company's operations in accordance with related rules, regulations and laws;

In order to achieve the three objectives as aforementioned, the Company uses an internal control framework comparable to international standards, namely, the Committee of Sponsoring Organizations of the Treadway Commission (COSO), divided into 5 parts as follows:

#### *1. Control Environment*

The Company gives importance to control environment, starting from establishing the policy on corporate governance in writing and making an announcement thereof to the employees in every level to realize and comply therewith, setting in writing clear management structures and operation steps of each working system to be used as working standards of the Company as well as setting efficient personnel management system. The Company believes that the aforesaid measures will help ensure good control environment of the Company.

#### *2. Risk Assessment*

The Company gives importance to risk management which may affect the Company's operations. Risk management of the Company may be divided into 2 levels as follows:

### *2.1 Business Risk*

Business risk is under joint responsibility between the Board of Directors and chief executives of the Company whereby the Board of Directors and chief executives of the Company are well aware of business risk and monitor risk factors which may affect the Company's operations, and also impose measures for managing such risk as per the details given on the topic of "Risk Factors" in this annual report.

### *2.2 Entity Risk*

Entity risk is under joint responsibility between the internal audit department as an independent working unit and the staff members who have sound knowledge and understanding of the working systems under their responsibility and well understand risk factors which may affect the work under their responsibility. The internal audit department has contained the subject of "Risk Assessment and Control Activity" in the audit plan for every year. The assessment results shall be proposed to the Audit Committee for further consideration.

### *3. Control Activity*

The internal auditor of the Company studied and checked the internal control systems in all working units of the Company, divided into 5 systems including: 1. membership system, 2. club operations system, 3. accounting system, 4. personnel system, and 5. information technology system. The internal auditor also prepared and submitted a report on internal control systems assessment to the Audit Committee at the meeting of the Audit Committee No. 2/2010, held on May 10, 2010 in order to have the Audit Committee consider the sufficiency of the internal control systems of the Company. Such report consists of flow chart giving explanation on the operations in each working system together with supporting information and indicating the internal control system for each operational process of such working systems.

The above internal control system and flow chart have been updated at least annually and included in the annual audit plan in order to have the updated Company's internal control system and to enable the internal auditor to study and understand the Company's work flow prior to perform the work to get a more efficient and effective results.

In addition, in order to ensure that the internal control system in each working system of the Company has been properly and completely complied with, the internal audit department has prepared Internal Control Questionnaire (ICQ) for use as guidelines for checking the compliance with the internal control systems of the Company. The checking results shall be proposed to the meeting of the Audit Committee for further consideration.

### *4. Information Technology and Communication*

The Company gives importance to the development of and security measures for information technology system including member database system whereby the policy on information technology has been established in writing and announced to the employees in every level for acknowledgment and compliance therewith. In addition, the Company has opened up several communication channels inside and outside the organization. The communications inside the organization may be made via intranet while the communications outside the organization may be made via several channels such as website of the Company and websites of other relevant authorities such as the SET and the SEC.

For the year 2009, the Company has improved information technology system such as Booking and Commission System to support the Company's operation. The Booking system has passed into the last 8 systems of MIS Asia 2009 IT Excellence Awards at Singapore on July 24, 2009 in sector of the Best Business Enabler (Private Sector) from other countries of Asia, which reflect the Company's intention to improve and develop information technology system to support the Company's operation efficiently and effectively.

For the year 2010, the Company has improved information technology system such as POS System (Point Of Sales System) to reduce the complexity of the operation, process data, and documentary flow including of the issuing of receipt by Receipt Machine instead to its manual issuing subject to support the Company's operation efficiently and effectively.

The Company believes that efficient information technology and communication systems will help gain competitive advantages and help make right decisions in a timely manner. This will reduce risks from wrong decision making due to the error/lack of information/communication.

## *5. Monitoring*

In every working system of the Company, there shall be monitoring system inside because the Company is of the view that the monitoring process will help the Company acknowledge the progress of work as well as problems from work performance in every working unit of the Company and also enable the Company to provide right solutions to such problems in a timely manner. Therefore, the monitoring process is an important process to help the Company reach the targets aimed for.

Besides, the internal audit department is an independent working unit responsible for checking whether the operational processes meet the standards set by the Company or not and reporting the checking results to the Audit Committee for consideration

**Internal Audit Systems :** The internal audit systems of the Company may be divided into 5 steps according to the following details:

### *1. Preparation of Audit Plan*

The internal audit department has prepared annual audit plan for use by the internal audit department. The annual audit plan of the internal audit department shall be jointly considered by the internal audit department manager and the executives of the Company and be proposed to the meeting of the Audit Committee for consideration and approval. Substantial contents contained in the annual audit plan of the internal audit department are as follows:

- Examination of connected transactions which may lead to a conflict of interests by using the notifications of the Stock Exchange of Thailand as guidelines for checking such transactions.
- Examination of the compliance with the rules, regulations and laws related to the operations of the Company including sound practices suggested by relevant authorities such as the principles of good corporate governance, practices for holding shareholders meeting, etc.
- Risk assessment and control activity.
- Examination of the compliance with the internal control systems in every working systems of the Company Etc.

### *2. Audit as per Audit Plan*

The internal audit department sticks to the annual audit plan as work plan of the internal audit department. The audit shall be carried out by questioning relevant persons, sampling documents, testing calculations, analyzing information, and etc. Scope of the audit shall be at the discretion of the internal auditor taking into account existing risks and control activity of such working system.

### *3. Preparation of Audit Report*

The audit results obtained from the audit shall be compiled and prepared as draft audit report consisting of explanation about audit methods, audit results and suggestions (if any) from the internal audit department whereby the manager of the internal audit department shall have relevant staff members informed of the audit results and suggestions (if any) for joint consideration and give opportunity to such staff members to freely express their opinions on relevant issues. The internal audit department shall include the opinions from such staff members in the audit report in order that the audit report shall contain the opinions from both parties which will be sufficient for the consideration by the management and the Audit Committee.

### *4. Report of Audit Results*

The internal audit department shall report the results of audit under the annual audit plan to the meeting of the Audit Committee which shall be held quarterly in order that the Audit Committee shall consider the audit results and regularly monitor the performance of the internal audit department.

### *5. Monitoring of Audit Results*

The annual audit plan of the internal audit department shall contain the subject of "Monitoring of Audit Results" in the last month of the audit year to ensure that the audit results and suggestions of the internal audit department have been properly and completely implemented.

**Risk Management:** The Board of Directors realize the importance of risk management in supporting to manage the Company's operation achieve visions and targets on operations, strategies and business plans under risks from outside factors and inside factors of the Company. The Board of Directors has provided risk management policy. Risk management of the Company may be divided into 2 levels are business risk and entity risk as per above details given on the topic of "Risk Assessment and Control Activity". Even though the Company has not provided the Early Warning but the Board of Directors has imposed clear visions and targets on operations, strategies and business plans and used it to control the Company's operation under risks. The Board of Directors has raised the meeting immediately if seem that the results of the Company's operation don't achieve such visions and targets on operations, strategies and business plans.

**In conclusion,** the Board of Directors has provided visions and targets on operations, strategies and business plans for the year 2010 to control management, improved the good corporate governance and business ethic, gave important of the entering and disclosure of the connected transaction, carry out the accurate, completeness, and reliability of the financial report including risk management, internal control, and internal audit system. The Board of Directors is of the view that the efficiency of the internal control systems of the Company is fair. The Company also has sufficient internal control systems for the entering into transactions with major shareholders, directors, committee members, executives or their related persons. In respect of the internal control systems for other matters, the Board of Directors is of the view that they are proper and sufficient. In addition, for good corporate governance, the Board of Directors supports and encourages the executives to consecutively improve the quality of the internal control systems.

### **The results of evaluation of the Company's good corporate governance**

The Company realize the importance of the practice of good Corporate Governance to enhance the Company's competitiveness towards business prosperity and sustainable growth. The Company has compliance with it under recommendation of related parties such as the Stock Exchange of Thailand and the Securities and Exchange Commission etc. The internal audit department of the Company responsible for evaluation of such practice and directly report to the Audit Committee. It has proposed to the Board's meeting for consideration

According to the evaluated results for the year 2008 (evaluated by Thai Institute of Directors Association (IOD), the Company was rated in group of good level listed companies. Even though the Company hasn't joined the 2009 and 2010 Good Corporate Assessment arranged by IOD, however internal audit department of the Company has assessed the good corporate governance of the Company by yearly basis under Corporate Governance Self Assessment (Based on the Principles of Good Corporate Governance). It is included in an annual internal audit plan. The Company has believed that the good corporate governance of the Company is rated in good level. Moreover, the Company intends to improve the quality of the good Corporate Governance for the best benefit of the Company, shareholders, and other stakeholders.

### **Meetings of the Board of Director and other sub-committees**

#### **Board of Directors meetings**

The Company has scheduled the meeting dates of the Board of Directors in advance to enable the directors to have sufficient time and manage their schedule to attend the meetings. The Company holds a meeting of the Board of Directors every quarter and an extraordinary meeting may be held as necessary by sending a notice of meeting together with supporting documents in advance of the meeting. The Company is of the view that such policy of the Board's meeting is appropriate for the responsibilities of the Board and the nature of business of the Company. Moreover, the Board of Directors has imposed clear visions and targets on operations, strategies and business plans. In addition, the Company has provided the Company's monthly performance report to directors for their close monitoring of the Company's performance. Processes of the Board of Director's meeting are as follows:

*Proceedings prior to a meeting of the Board of Director:* Each director freely proposes the agenda by specify reason and necessity of the agenda through the Company secretary. The Chairman of the Board will consider each agenda prior to release the notice of the meeting together with the related document to each director in advance of the meeting date in order to enable the directors to have sufficient time to review the information prior to the meeting which will enhance a more efficient and effective meeting. In case the directors require additional information, they can coordinate with the Company's secretary.

*Proceedings during the meeting of the Board of Director:* The Chairman will be responsible to conduct the meeting. The agenda will be conducted in sequence according to the invitation letter. During the meeting, directors freely and openly express their opinions and ask questions

*Proceeding after the meeting of the Board of Director:* The Company realizes the importance of Minute of the Board's meeting. The Company's secretary will be responsible to prepare the Minutes which contain complete and accurate information, such as meeting date and time, venue, name of directors present at and absent from the meeting, significant information on each agenda, summary of discussions in the meeting and Boards resolutions. Minute of the Board's meeting has signed by Chairman and kept by the Company secretary. It has proposed to the next Board's meeting for consideration and adopt.

In 2010, there were 7 meetings of the Board of Directors (in 2009: 7 meetings). Details of attendances at the meetings of each director are as follows:

Directors	Position	Board of Directors Meetings (Number of Attendances/Number of the Meetings)			
		2010		2009	
		Ordinary	Extraordinary	Ordinary	Extraordinary
1. Mr. Eric Mark Levine	Chairman/CEO	5/5	2/2	4/5	2/2
2. Mr. George Saab	Independent Director	2/5	2/2	3/5	1/2
3. Mr. Mark Steven Mastrov*	Non Executive Director	5/5	1/2	5/5	2/2
4. Mr. Vicha Poolvaraluck	Non Executive Director	5/5	2/2	5/5	2/2
5. Mr. Verawat Ongvasith**	Non Executive Director	0/5	0/2	3/5	2/2
6. Dr. Virach Aphimeteetamrong***	Independent Director	2/5	0/2	5/5	2/2
7. Mr. Prinya Taithongchai	Independent Director	4/5	2/2	4/5	2/2
8. Mr. Sirot Setabandhu	Independent Director	0/5	0/2	3/5	2/2

\* Mr. Mark Steven Mastrov resigned from director effective from November 8, 2010.

\*\* Mr. Verawat Ongvasith resigned from director, effective from November 24, 2009.

\*\*\* Dr. Virach Aphimeteetamrong resigned from independent director, Chairman of Audit Committee, and Chairman of Remuneration Committee, effective from April 9, 2010.

#### **Independent Directors meet among themselves without the management team :**

Independent Directors and Auditor met among themselves on 9 November 2010 without management to discuss their concerns about issue of external auditing and other issues relating to the Company's working system. The meeting outcomes were proposed to the Board's meeting. Such meeting was included Chief Executive Officer who are same person with Chairman

## Audit Committee meetings

The Company set a meeting of the Audit Committee every quarter and an extraordinary meeting may be held when necessary by sending a notice of meeting together with supporting documents in advance of the meeting. Accurate and complete Minutes of the meeting will be kept for examination.

In 2010, there were 4 meetings of the Audit Committee (in 2009: 4 meetings). Details of attendances at the meetings of each member are as follows:

Member	Position	Audit Committee Meetings (Number of Attendances/Number of the meetings)			
		2010		2009	
		Ordinary	Extraordinary	Ordinary	Extraordinary
1. Dr. Virach Aphimeteetamrong*	Chairman	1/4	Nil	4/4	Nil
2. Mr. Prinya Taithongchai	Audit Committee Member	4/4	Nil	3/4	Nil
3. Mr. Sirot Setabandhu	Audit Committee Member	3/4	Nil	1/4	Nil
4. Mr. George Saab**	Audit Committee Member	2/4	Nil	0/4	Nil

\* Dr. Virach Aphimeteetamrong resigned from independent director, Chairman of Audit Committee, and Chairman of Remuneration Committee, effective from April 9, 2010.

\*\* The Board of Directors' Meeting of the Company no. 5/2010 held on 8 July 2010 has approved the appointment of Mr. George Saab as an Independent Director, Audit Committee Member, and Remuneration Committee Member replace to Dr. Virach Aphimeteetamrong who resigned, effective from 8 July 2010.

## Remuneration Committee meetings

The Company set a meeting of the Remuneration Committee annually and an extraordinary meeting may be held when necessary by sending a notice of meeting together with supporting documents in advance of the meeting. Accurate and complete Minutes of the meeting will be kept for examination.

In 2010, there were 1 meeting of the Remuneration Committee (in 2009: 1 meetings). Details of attendances at the meetings of each member are as follows:

Member	Position	Remuneration Committee Meetings (Number of Attendances/Number of the meetings)			
		2010		2009	
		Ordinary	Extraordinary	Ordinary	Extraordinary
1. Dr. Virach Aphimeteetamrong**	Chairman	1/1	Nil	1/1	Nil
2. Mr. Verawat Ongvasith*	Remuneration Committee Member	0/1	Nil	1/1	Nil
3. Mr. Mark Steven Mastrov****	Remuneration Committee Member	1/1	Nil	1/1	Nil
4. Mr. George Saab***	Remuneration Committee Member	0/1	Nil	0/1	Nil



\* Mr. Verawat Ongvasith resigned from director including of Remuneration Committee Member effective from November 24, 2009.

\*\* Dr. Virach Aphimeteetamrong resigned from independent director, Chairman of Audit Committee, and Chairman of Remuneration Committee, effective from April 9, 2010.

\*\*\* The Board of Directors' Meeting of the Company no. 5/2010 held on 8 July 2010 has approved the appointment of Mr. George Saab as an Independent Director, Audit Committee Member, and Remuneration Committee Member replace to Dr. Virach Aphimeteetamrong who resigned, effective from 8 July 2010.

\*\*\*\* Mr. Mark Steven Mastrov resigned from director including of Remuneration Committee Member effective from November 8, 2010.

### Real Estate Committee meetings

The Company set a meeting of the Real Estate Committee whenever there is a new project to be considered by sending a notice of meeting together with supporting documents in advance of the meeting. Accurate and complete Minutes of the meeting will be kept for examination.

In 2010, there were no meeting of the Real Estate Committee (in 2009: no meeting). Details of attendances at the meetings of each member are as follows:

Member	Position	Real Estate Committee Meetings (Number of Attendances/Number of the meetings)	
		2010	2009
1. Mr. Eric Mark Levine	Chairman	Nil	Nil
2. Mr. Vicha Poolvaraluck	Real Estate Committee Member	Nil	Nil
3. Mr. Mark Steven Mastrov*	Real Estate Committee Member	Nil	Nil

Note:

The Real Estate Committee has arranged meeting when the Company have new investment project on real estate. For the year 2010 and 2009, the Company has not new investment project on real estate.

\* Mr. Mark Steven Mastrov resigned from director including of Real Estate Committee Member effective from November 8, 2010.

### Development of Directors and Executives

It is the policy of the Company to increase knowledge of director and related persons such as the Company's secretary and internal audit department and understanding of good corporate governance whereby the Company encourages the directors and the Company's secretary to join related training courses such as Director Accreditation Program (DAP) and Director Certificate Program (DCP) run by Thai Institute of Directors Association (IOD) in order that the directors and the Company's secretary shall have better knowledge and understanding of their roles, duties and responsibilities as well as of the principles of good corporate governance and they shall be able to use the knowledge gained from the training courses to develop the management of the Company's business.

In addition, the Company also has the executives perform duty as trainers who shall explain the nature of the Company's business to new directors as well as answer questions about the operations of the Company in order that the new directors shall acquire knowledge and understanding of the nature of the Company's business and shall be able to apply their knowledge and ability for maximum benefits of the Company and the shareholders.

## Policy of Dividend Payment

The Company has the policy to pay dividend at the rate of not less than 40 percent of net profit after tax and legal reserve in each year. The Board of Directors of the Company has the authority to except the compliance with such policy, or from time to time amend the policy subject to the conditions that such act would contribute to the maximum benefit for shareholders. Example is in case where the dividend is kept as a reserve fund to repay loan, or to be the capital for the investment in business expansion or to be a reserve in preparation for cases like the change of market conditions which could have an impact upon the cash flow of the Company.

## Details of the dividend paid

Year	Dividend paid (Baht / share)	Proportion of dividend to Net profit (percent)
2010	Nil due to the Company had deficits	
2009	Nil due to the Company had deficits	
2008	Nil due to the Company had deficits	
2007	Nil due to the Company had deficits	
2006	0.06	40.70
2005	0.10	27.40

## Connected Transactions

Following are connected transactions in 2010 and 2009 entered into under normal business arrangements with persons having possible conflicts of interest with the Company

Persons/Juristic Persons Having Possible Conflicts of Interest	Relationship
Major Cineplex Group Public Company Limited (MAJOR)	The Company's shareholder holding 18.82 % interest as of December 30,2010
Major Cineplex Lifestyle Leasehold Property Fund (Formerly "Major Cineplex Lifestyle Property Fund")	An associated company of MAJOR (33 % shareholding) as of December 31, 2010 (share the same director).
Major Cineplex Property Company Limited	A wholly-owned subsidiary of MAJOR (99.99 % shareholding) as of December 31, 2010 (share the same director)
Major Cineplex Service Company Limited	A wholly-owned subsidiary of MAJOR (99.99 % shareholding) as of December 31, 2010 (share the same director)
Petch Pin Klao Company Limited	Its management and shareholders have been considered as related to a major shareholder of MAJOR (this juristic person belongs to the mother of Khun Vicha Poolvaraluck)
Ratchayotin Realty Company Limited	A wholly-owned subsidiary of MAJOR (99.99 % shareholding) as of December 31, 2010 (share the same director)
Ratchayotin Management Company Limited	A wholly-owned subsidiary of MAJOR (99.99 % shareholding) as of December 31, 2010 (share the same director)
Siam Future Development Public Company Limited (Siam Future Development)	An associated company of MAJOR (23.24 % shareholding) as of December 31, 2010 (share the same director).
Siam Future Property Company Limited	A wholly-owned subsidiary of Siam Future Development (100 % shareholding) as of December 31, 2010
Siam Cineplex Company Limited	A wholly-owned subsidiary of MAJOR (99.99 % shareholding) as of December 31,2010(share the same director)
Mr. Mark Steven Mastrov	A director and consultant of the Company
Bulldog Holdings Limited (Bulldog)	One of the Companies under Mr. Eric Mark Levine's Group and it holds a 0.00004% interest in the Company. Bulldog shares the same directors with the Company.
Team Bright Corporation Limited (Team Bright)	One of the Companies under Mr. Eric Mark Levine's Group and it is owned by Bulldog with 80% interest
Elite Power Holdings Inc.	The Company's shareholder holding 23.71 % interest as of December 30, 2010
FDE of the World Company Limited (FDE)	One of the Companies under Mr. Eric Mark Levine's Group and it holds a 0.82% interest in the Company. It also has the same directors and shareholders as the Company does.
NEFC Limited Liability Company	Share the same director

## Characteristics of Connected Transactions

In 2010 and 2009, the Company entered into the connected transactions with the following persons who have possible conflicts of interest:

Persons or Juristic Persons entering into related transactions	Relationship	Types of Transactions	Value of Transactions (THB million)		Details of Transactions	Necessity and Justifications
			2010	2009		
FDE of the World Company Limited (FDE)	A company in Mr. Eric Mark Levine's Group	Fees for being granted the right to use the licensed trademark	- None -	- None -	FDE is granted the right to use the trademark "California WOW Xperience" owned by Mr. Eric Mark Levine and granted the right to use to the Company	With his extensive experience in fitness centre business, Mr. Eric Mark Levine created the trademark "California WOW Xperience". The Company is positive that the granting of exclusive right to use this trademark in Thailand without any cost for 20 years with four 20-year extensions, totaling 100 years, will benefit the Company.
Team Bright Corporation Limited (Team Bright)	A company in Mr. Eric Mark Levine's Group	Fees for being granted the right to use the licensed trademark "Planet Yoga"	-None-	-None-	Team Bright is granted the right to use the trademark "Planet Yoga" and granted the right to the Company	The Company believes that the granting of exclusive right to use this trademark in Thailand without any cost for 5 years will benefit the Company.
Petch Pin Klao Company Limited	Related to MAJOR	Rental Fee	47.25	48.71	Space rental fee for space of Pin Klao branch	The rental rate charged to the Company was lower than those charged to other tenants because of the larger space of rental area. Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Utilities Fee	8.71	9.09	Utilities fee for Pin Klao branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Marketing Fee	0.05	0.05	Marketing fee	Rate of marketing fee was the same as other customers. Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Interest Expense	1.80	3.53	Interest from Rental Payable	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Rental, Utilities, and Interest Payable	20.07	38.00	Rental, Utilities, and Interest payable for Pin Klao branch	Rental and utilities payable of Pin Klao branch have normal credit term and the same conditions as those of others.
Ratchayotin Management Company Limited	A subsidiary of MAJOR	Utilities Fee	5.47	5.57	Utilities fee for Ratchayothin branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Utilities Payable	0.46	0.51	Utilities payable for Ratchayothin branch	Utilities payable of Ratchayothin branch have normal credit term and the same conditions as those of others.
Ratchayotin Realty Co Ltd.	A subsidiary of MAJOR	Rental Fee	2.57	2.73	Space rental fee for Ratchayothin branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Deposit	6.54	6.54	Deposit 2 and 6 months (rental and service) for Ratchayothin branch.	Please see details of Necessity and Justification for the Related Transactions in page no. 61
Major Cineplex Lifestyle Property Fund (changed company name to Major Cineplex Lifestyle Leasehold Property Fund	An associated company of MAJOR	Rental fee	-	5.87	Space rental fee for Ratchayothin branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Utilities Fee	-	0.40	Utilities fee for Ratchayothin branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61

Persons or Juristic Persons entering into related transactions	Relationship	Types of Transactions	Value of Transactions (THB million)		Details of Transactions	Necessity and Justifications
			2010	2009		
Major Cineplex Lifestyle Leasehold Property Fund	An associated company of MAJOR	Rental fee	35.61	30.00	Space rental fee for Ratchayothin branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Utilities Fee	4.90	4.48	Utilities fee for Ratchayothin branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Interest Expense (For the year 2010, it was reversed transactions due to landlord has agreed to except interest payable for the previous years).	(0.60)	0.22	Interest from Rental Payable	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Rental and Utilities Payable	3.05	10.10	Rental and Utilities payable for Ratchayothin branch	Rental and utilities payable of Ratchayothin branch have normal credit term and the same conditions as those of others.
Major Cineplex Group Plc.	Company's shareholder	Service fee	3.55	4.61	Service fee for Ekamai branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Utilities Fee	3.18	7.40	Utilities fee for Ekamai branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Marketing fee	-	0.004	Marketing fee	Rate of marketing fee was the same as other customers. Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Interest Expense	0.67	1.08	Interest from Service Payable	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Service, Utilities and Interest Payable	3.75	8.36	Service, Utilities and Interest Payable for Ekamai branch	Service and Utilities Payable of Ekamai branch have normal credit term and the same conditions as those of others.
Mr. Mark Steven Mastrov	A director and consultant of CAWOW	Consultant fee (For the year 2010, it was reversed 2009 transactions due to have no any payment for outstanding of Mr. Mark Steven Mastrov's consulting fee).	(2.72)	4.08	To provide the Company with consultation on the monitoring and supervision of the Company's day-to-day operation and business management	The Company's Board of Directors appointed Mr. Mark Steven Mastrov as a consultant of the Company and agreed to pay USD 120,000 (2009). The Company believes with his knowledge and experience in international fitness industry will help the Company to manage day-to-day operation effectively and efficiently. However, the Company has suspended the renewal of his consulting for the year 2010. (Payment condition: pay to NEFC Limited Liability Company. Mr. Mark Steven Mastrov is director of this company)
		Consulting Payable	-	2.72	Consulting expense	Consulting payable as the Company's consultant.

Persons or Juristic Persons entering into related transactions	Relationship	Types of Transactions	Value of Transactions (THB million)		Details of Transactions	Necessity and Justifications
			2010	2009		
Siam Future Development Public Company Limited	An associated company of MAJOR	Rental fee	24.65	34.33	Space rental fee for Chaeng Wattana and Pattaya branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Deposit	8.53	8.53	Deposit 2 months (rental and service) for Chaeng Wattana and Pattaya branch.	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Utilities fee	8.66	9.99	Utilities fee for Chaeng Wattana and Pattaya branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Interest Expense (For the year 2010, it was reversed transactions due to landlord has agreed to except interest expense for the previous years).	(0.84)	1.26	Interest from Rental Payable	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Rental, Utilities, and Interest Payable	12.55	22.95	Rental and Utilities Payable for Chaeng Wattana and Pattaya branch. Interest from Rental Payable	Rental and Utilities Payable of Chaeng Wattana and Pattaya Branch have normal credit term and the same conditions as those of others.
Siam Future Property Company Limited	A subsidiary of Siam Future Development	Rental fee	24.94	27.54	Space rental fee for Esplanade branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Deposit	6.15	6.15	Deposit 2 months (rental and service) for Esplanade branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Utilities fee	9.54	10.14	Utilities fee for Esplanade branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Interest Expense	0.81	0.89	Interest from Rental Payable	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Rental ,Utilities and Interest Payable	20.31	17.91	Rental and Utilities payable of Esplanade branch. Interest from Rental Payable	Rental and Utilities Payable of Esplanade branch have normal credit term and the same conditions as those of others.
Major Cineplex Property Company Limited	A subsidiary of MAJOR	Deposit	3.11	3.11	Deposit 3 months (rental) for Ekamai branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Rental fee	20.25	27.00	Space rental fee for Ekamai branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Rental Payable	8.37	14.00	Rental Payable for Ekamai branch	Rental Payable of Ekamai branch have normal credit term and the same conditions as those of others
Major Cineplex Service Company Limited	A subsidiary of MAJOR	Deposit	0.55	1.11	Deposit 3 months (service) for Ekamai branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61
Siam Cineplex Company Limited	A subsidiary of MAJOR	Utilities fee	0.08	0.05	Utilities fee for light box at Siam Paragon branch	Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Marketing fee	-	0.016	Marketing fee	Rate of marketing fee was the same as other customers. Please see details of Necessity and Justification for the Related Transactions in page no. 61
		Utilities Payable	0.01	0.01	Utilities Payable for Siam Paragon branch	Utilities Payable of Siam Paragon branch have normal credit term and the same conditions as those of others.



## Necessity and Justification for the Related Transactions

The rental of space for the Company's fitness centers has the objective to expand the services capacity of the Company to support members. The utilities fee incurred were the fundamental utilities which were necessary for the Company's operations i.e. electricity, water etc.

Deposit and lease building right were normal transaction with landlord. Deposit was the Company's guarantee for rental and service.

Marketing fee was mainly advertisement on various advertising media provided by the landlord. Advertisement is the important and necessary marketing strategy for the Company's business operations in order to build the Brand Awareness among the Company's target customers.

Interest expense was charged for outstanding of rental fee. It was under Civil and Commercial Code of Thailand. The rate and condition were under such code.

The related transactions in 2010 and 2009 were entered into for the purpose of optimizing benefits of the Company. The Audit Committee have reviewed and opined that the transactions were reasonable.

## Measures or Procedures for Approving the Connected Transactions

In case where the connected transactions are to be entered into with persons having possible conflicts of interest, being interested or having conflict of interest in the future, the Company has required such persons to immediately report matter information to the Audit Committee prior to enter such transactions in order to give an opinion on the necessity and justification for such connected transactions. If such Audit Committee does not have expertise required in considering the connected transactions, the Company may have the independent experts or the auditor of the Company give an opinion on such connected transactions. The opinion will then be used by the Audit Committee or shareholders (as the case may be) in making the decision. The Audit Committee has proposed opinion relating to such the connected transactions to the Board of Director for consideration under the best benefit of the Company and shareholders. However, the person having possible conflict of interest in a transaction shall not be able to vote and approve such related transaction. Such procedures are in accordance with the Notification of the Securities and Exchange Commission re "Disclosure and Procedures of Listed Companies for Connected Transactions (Volume. 2), 2004" and other relevant laws and regulations.

## Policy or Tendency of Entering into Connected Transactions

The Company expects that in the future there may be related transactions that have been examined and approved by the Board of Directors and/or the Audit Committee and/or a shareholder's meeting, they are:

1. Trademark License Agreement (California WOW Xperience) with FDE. The Company has been granted the exclusive right to use the "California WOW Xperience" trademark in Thailand by FDE for 20 years with four 20-year extensions, totaling 100 years, without fees. This transaction will be beneficial to the Company.

2. The rental space rented and utilities provided by Petch Pin Klao Co., Ltd. for the operation of Pin Klao Club. The transaction is necessary and reasonable because the rental rate is lower than other tenants and the rental space is suitable for operating a fitness center of the Company.

3. The rental space rented from Ratchayotin Realty Co., Ltd. and Ratchayothin Management Co. Ltd. and utilities provided by Ratchayothin Management Co., Ltd. for the operation of Ratchayotin Club. The transaction is necessary and reasonable because the rental rate is lower than other tenants and the rental space and location is suitable for operating a fitness center of the Company.

4. Trademark License Agreement (Planet Yoga) with Team Bright Corporation Limited. The transaction is necessary and reasonable because it creates a variety of services to the members. The Company has been exclusively granted the license in Thailand without any cost for five years, which will benefit the Company.

5. The rental space rented and utilities provided by Siam Future Development Public Company Limited for the operation of Chaeng Wattana and Pattaya Club. The transaction is necessary and reasonable because the rental rate is similar to other tenants and the rental space is suitable for operating a fitness center of the Company

6. The utilities for light box provided by Siam Cineplex Company Limited for the operation of Siam Paragon Club. The transaction is necessary and reasonable because the rate is similar to other tenants.

7. The rental space rented provided by Major Cineplex Property Company Limited for the operation of Ekamai Club. The transaction is necessary and reasonable because the rental rate is similar to other tenants and the rental space is suitable for operating a fitness center of the Company.

8. The rental space rented provided by Siam Future Property Company Limited for the operation of Esplanade Club. The transaction is necessary and reasonable because the rental rate is similar to other tenants and the rental space is suitable for operating a fitness center of the Company.

9. The rental space rented provided by Major Cineplex Lifestyle Property Fund (changed company name to Major Cineplex Lifestyle Leasehold Property Fund) for the operation of Ratchayothin Club. The transaction is necessary and reasonable because the rental rate is similar to other tenants and the rental space is suitable for operating a fitness center of the Company.

10. The service and utilities provided by Major Cineplex Group Public Company Limited for the operation of Ekamai Club. The transaction is necessary and reasonable because the service rate is similar to other tenants.

The Company has entered into related transactions with related persons of Mr. Eric Mark Levine in California WOW Xperience trademark right, the license of Planet Yoga. To eliminate any conflict of interest that might happen in the future, as long as Mr. Eric Mark Levine and/or any entities under his control collectively hold more than 10 percent of total shares issued by the Company and Mr. Eric Mark Levine and/or any entities under his control collectively hold more than 50 percent of total shares issued by that company, Mr. Eric Mark Levine is willing to grant the Company the right to use of any services that will belong to Mr. Eric Mark Levine's Group in the future without any charges.

Moreover, Mr. Eric Mark Levine also undertakes that as long as Mr. Eric Mark Levine is a director of the Company and/or executive officer and/or any entities under his control collectively hold more than 10 percent of total shares issued by the Company, he will not operate any business in Thailand which has the same nature as and is in competition with the business of the Company.

The Company has intention not to provide any kind of financial support to directors, executives, and employees of the Company to prevent conflicts of interest in the future. The Board of Directors had passed a resolution to make it a company policy on the Board of Director's meeting No. 4/2005 on 13 October 2005.

The Company will maintain its policy of entering into related transactions at reasonable prices to be in line with normal business arrangements for the maximum benefits of the Company. The Company's Board of Directors Meeting No. 11/2547 held on 12 October 2004 resolved to adopt a policy of entering into future related transactions with the requirement of having the Audit Committee and/or the Board of Directors of the Company inspect and give opinion on the justification for such transactions, examine pricing and any conditions of such transactions to ensure compliance with normal business conditions. Executives and interested parties shall not participate in the vote and approval of such related transactions. Upon the Company being listed on the Stock Exchange of Thailand, the Board of Directors of the Company shall ensure that the Company complies with the law governing securities and stock exchange and regulations, notifications, orders or requirements of the Stock Exchange of Thailand including the regulations on the disclosure of information on connected transactions, the acquisition or disposal of securities of the Company or subsidiaries, and with the standard established by the Institute of Certified Accountants and Auditors of Thailand.

In case connected transactions are entered into between the Company or subsidiaries and persons possibly having a conflict of interest, having stake in such transactions or a future conflict of interest, the Audit Committee shall give opinion on the necessity and justification for entering into such connected transactions and their pricing by taking into consideration whether the conditions of connected transactions are in compliance with normal market practice. There shall also be a comparison of pricing with third parties. In case such Audit Committee does not have the expertise required in considering the connected transactions, the Company may have the experts that include auditors, independent price appraisers or law offices, etc that are independent of the Company and persons having possible conflicts give opinion on such connected transactions. The opinions will then be used by the Audit Committee and/or the Board of Directors and/or shareholders (as the case may be) in making the decision. The Company will disclose the information on the connected transactions in the notes accompanying the financial statements that have been examined by the auditors of the Company.

# Report of the Board of Directors's Responsibilities for Financial Statements

To Shareholders,

The Board of Directors is responsible for the financial statements of the Company including financial information in the Annual Report and the Company's financial statements. The Board of Directors is of the opinion that the financial statements of the Company for the year ended December 31, 2010 have been prepared in conformity with generally accepted accounting principles in Thailand with appropriate accounting policies applied on a conservative and consistent basis. The Board of Directors has also provided and maintained efficient internal control system to ensure that the financial statements are accurate and reliable.

The Board of Directors has appointed an Audit Committee which comprises of directors who are independent and not being a part of management team to take responsibility for reviewing financial reports and the internal control system and to ensure and opine over related and conflict of interest transactions are accurate and complete. The Audit Committee has submitted its reports to the Board of Directors and has expressed its opinion with regard to the stated matters in the Report of the Audit Committee which is presented in the Annual Report.

The Board of Directors is of the opinion that the Company has an adequate and appropriate internal control system, and is confident that the Company's financial statements for the year ended December 31, 2010 are considered reliable.



Mr. Eric Mark Levine  
Chairman

## Report of the Audit Committee

The Audit Committee comprises 3 members of the Board of Directors who are independent from management of the Company and neither is in the board of executive directors nor management team. The Audit Committee performed duties assigned by the Board of Directors as well as substantially committed to business ethics, transparency, balance of power and assessment.

In 2010, the Audit Committee held 4 meetings (2009: 4 meetings) with management to exchange views and opinions on the sufficiency and suitability of the Company's internal control system. The Audit Committee also performed other tasks within the scope of duties assigned by the Board of Directors. Additionally, the Audit Committee also held meetings with the independent auditors to consider the results of the audit and review of the Company's quarterly and annual financial statements. The Audit Committee submitted the minutes of every meeting to the Board of Directors. The attendances of each member of the Audit Committee for the years 2010 and 2009 are as follows:

Member	Position	Audit Committee Meetings (Number of Attendances/Number of the meetings)			
		2010		2009	
		Ordinary	Extraordinary	Ordinary	Extraordinary
1. Dr. Virach Aphimeteetamrong*	Chairman	1/4	Nil	4/4	Nil
2. Mr. Prinya Taithongchai	Audit Committee Member	4/4	Nil	3/4	Nil
3. Mr. Sirot Setabandhu	Audit Committee Member	3/4	Nil	1/4	Nil
4. Mr. George Saab**	Audit Committee Member	2/4	Nil	0/4	Nil

\* Dr. Virach Aphimeteetamrong resigned from independent director, Chairman of Audit Committee, and Chairman of Remuneration Committee, effective from April 9, 2010.

\*\* The Board of Directors' Meeting of the Company no. 5/2010 held on 8 July 2010 has approved the appointment of Mr. George Saab as an Independent Director, Audit Committee Member, and Remuneration Committee Member replace to Dr. Virach Aphimeteetamrong who resigned, effective from 8 July 2010

Moreover, the Audit Committee attended a non-management meeting with an external auditor of the Company on 9 November 2010 and reported the results of meeting on the Boards' meeting no. 5/2011 held on 23 February 2011 for discussion

The Audit Committee has reviewed the Company's financial statements for year ended December 31, 2010 and is of the opinion that the Company's financial statements have been prepared in conformity with generally accepted accounting principles and disclose correct, sufficient and reliable information, which is in line with the report of the independent certified public accountants submitted to the Board of Directors and shareholders.

The Audit Committee is confident that the Company's existing internal controls and internal audit are suitable and continuously refined. Moreover, the internal audit department of the Company has independently performed under supervision of the Audit Committee

The Audit Committee is confident that the Company has made assessments to ascertain that the Company is in compliance with all laws and regulations such as the law on securities and exchange, the exchange's regulations, and the business laws relating to the Company.

The Audit Committee has reviewed disclosure of information of the Company especially related transactions and conflicted of interest transactions. The Audit Committee believes that the making of such transactions is reasonable and for the highest benefit of the Company. Moreover, the Company has correct, sufficient and complete disclosure of information.

The Audit Committee has considered and nominated Mr.Kajornkiet Aroonpirodkul Certified Public Accountant no. 3445 and/or Mr. Pisit Thangtanagul Certified Public Accountant No. 4095 and/or Mrs.Nattaporn Phan-Udom, Certified Public Accountant No.3430 of PricewaterhouseCoopers ABAS Limited, to be the Company's independent auditors, any one being authorised to conduct the audit and express an opinion on the annual financial statements for the year 2011 and has also considered their remuneration. In the absence of the above-named auditors, PricewaterhouseCoopers ABAS Limited is authorised to identify one other Certified Public Accountant with PricewaterhouseCoopers ABAS Limited to carry out the work. The Audit Committee has submitted the recommendation for the appointment and remuneration of the independent auditors to the Board of Directors to be proposed to the shareholders' meeting for approval. The Audit Committee is of the opinion that auditors of the Company are independent and no directs relationship with connected persons with the Company as the management, major shareholders, and affiliated persons to those mentioned. They performed their duties with knowledge and professional competency/experience. There was compliance with regulation of the Office of the Securities and Exchange Commission (SEC) with regards to the changing of the financial statements signatory external auditor every 5 years. Beside, their remuneration is suitable with their knowledge and professional competency/ experience including of scope/quantity of auditing. If Mr.Kajornkiet Aroonpirodkul Certified Public Accountant no. 3445 is appointed to be the external auditors for the year 2011, it shall be 5 consecutive years.

In conclusion, the Audit Committee has performed its duties under scope of work, duties, and responsibilities that specified in its charter and is of the opinion that the Company's financial statements have been prepared in conformity with generally accepted accounting principles and disclose correct, sufficient and reliable information. The Company's existing internal controls are sufficient and suitable. The Company is in compliance with all laws and regulations such as the connected transactions etc. Moreover, The Audit Committee has performed its duties carefully and independently and has been forthcoming in expressing its opinions for the benefit of the Company. It has not encountered any difficulty in obtaining information, resources and cooperation from the Company.



Mr. Sirot Setabandhu  
Member of the Audit Committee



Mr. George Saab  
Member of the Audit Committee

On behalf of the Audit Committee  
February 23, 2011

# FINANCIAL STATEMENT



## Auditor's Report

To the Shareholders of California WOW Xperience Public Company Limited

I was engaged to audit the accompanying balance sheet as at 31 December 2010, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended of California WOW Xperience Public Company Limited. I have audited the accompanying balance sheet as at 31 December 2009, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended of California WOW Xperience Public Company Limited. The Company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on the 2009 financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As mentioned in Note 1 to the financial statements, the Company incurred a net loss of Baht 466.69 million for the year ended 31 December 2010, and as of that date the Company's total current liabilities exceeded its total current assets by Baht 1,069.87 million. Total shareholders' equity as of that date has shown a negative amount of Baht 221.29 million. As a result of a negative equity, the Stock Exchange of Thailand will post a Non-Compliance sign (NC) and a Suspension sign (SP) to the Company until those issues are resolved. During 2010, two banks filed lawsuits against the Company for the overdue repayments of the borrowings principal and default interest totalling Baht 183.82 million, together with the related legal and lawyer fees. The Company also has other overdue debts and overdue bank borrowings of Baht 247.89 million. The Company has been discussing with the banks during the past 12 months to negotiate on the debt reschedule. The outcome has not yet been known. The management has identified plans to address the situation as detailed set forth in Note 1 to the financial statements. However, the plans and the prevailing conditions indicate multiple material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. These financial statements have been prepared assuming that the Company will continue to operate as a going concern. These financial statements do not include any adjustments to realise their assets and extinguish their liabilities and reclassification which might deem to be necessary if the Company could not continue as going concern.

Because of the multiple material uncertainties relating to the going concern matters as described in the preceding paragraph may have severely impacted to the Company's financial position, results of operations and cash flows, accordingly, I do not express an opinion on the financial statements of California WOW Xperience Public Company Limited for the year ended 31 December 2010. Nonetheless, in my opinion, the financial statements for the year ended 31 December 2009 present fairly, in all material respects, the financial position of California WOW Xperience Public Company Limited, and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.



Kajornkiet Aroonpirodkul

Certified Public Accountant (Thailand) No. 3445

PricewaterhouseCoopers ABAS Limited

Bangkok

23 February 2011

# California WOW Xperience Public Company Limited

## Balance Sheets

As at 31 December 2010 and 2009

		2010	2009
	Notes	Baht	Baht
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	19,741,419	34,519,951
Trade accounts receivable, net	8	1,485,441	1,573,334
Inventories	9	4,200,000	573,819
Prepaid expenses		18,783,367	13,855,135
Prepaid income tax		14,378,560	13,985,113
Current portion of prepaid rents due within one year	10	6,579,481	6,577,674
Other current assets		12,198,592	15,977,116
<b>Total current assets</b>		<b>77,366,860</b>	<b>87,062,142</b>
<b>Non-current assets</b>			
Leasehold improvement and equipment, net	11	883,803,846	1,222,066,724
Long-term portion of prepaid rents	10	85,938,894	92,296,254
Intangible assets, net	12	2,251,425	4,576,054
Deposits for leaseholds		61,233,854	64,024,652
<b>Total non-current assets</b>		<b>1,033,228,019</b>	<b>1,382,963,684</b>
<b>Total assets</b>		<b>1,110,594,879</b>	<b>1,470,025,826</b>

Director \_\_\_\_\_

Director \_\_\_\_\_

The notes on pages 75 to 101 are an integral part of these financial statements.

# California WOW Xperience Public Company Limited

## Balance Sheets

As at 31 December 2010 and 2009

		2010	2009
	Notes	Baht	Baht
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Bank overdrafts and short-term borrowings from financial institutions	13	125,107,093	125,123,698
Trade accounts payable		56,111,628	41,446,084
Amounts due to related parties	19	68,561,330	114,520,023
Other payable		24,003,682	25,742,497
Deferred income - current portion	14	452,589,168	352,044,028
Current portion of obligation under finance lease agreements	15	33,193,509	40,112,182
Current portion of long-term borrowings	16	296,796,026	308,144,569
Accrued expenses		90,869,868	51,497,267
<b>Total current liabilities</b>		<b>1,147,232,304</b>	<b>1,058,630,348</b>
<b>Non-current liabilities</b>			
Deferred income - non-current portion	14	183,103,467	278,080,620
Obligation under finance lease agreements	15	-	-
Long-term borrowings	16	-	-
Other non-current liabilities		1,550,000	585,000
<b>Total non-current liabilities</b>		<b>184,653,467</b>	<b>278,665,620</b>
<b>Total liabilities</b>		<b>1,331,885,771</b>	<b>1,337,295,968</b>

The notes on pages 75 to 101 are an integral part of these financial statements.

# California WOW Xperience Public Company Limited

## Balance Sheets

As at 31 December 2010 and 2009

		2010	2009
	Notes	Baht	Baht
<b>Shareholders' equity</b>			
<b>Share capital</b>	20		
Authorised share capital			
723.95 million ordinary shares of par Baht 1 each		723,952,899	321,952,000
Issued and fully paid-up share capital			
550.37 million ordinary shares of par Baht 1 each	20	550,369,767	300,000,671
Share premium	20	280,053,927	280,053,927
Share discount	20	(137,703,003)	-
Retained earnings			
Appropriated - legal reserve	21	3,652,217	3,652,217
Deficits		(917,663,800)	(450,976,957)
<b>Total shareholders' equity</b>		(221,290,892)	132,729,858
<b>Total liabilities and shareholders' equity</b>		1,110,594,879	1,470,025,826

The notes on pages 75 to 101 are an integral part of these financial statements.

# California WOW Xperience Public Company Limited

## Statements of Income

For the year ended 31 December 2010 and 2009

		2010	2009
	Notes	Baht	Baht
Revenue from rendering of services		1,031,207,657	1,408,154,719
Cost of rendering of services		(959,856,178)	(1,100,766,833)
<b>Gross profit</b>		71,351,479	307,387,886
Other income	22	33,080,793	54,159,579
<b>Profit before expenses</b>		104,432,272	361,547,465
<b>Expenses</b>	23		
Selling expenses		(291,210,786)	(332,363,154)
Administrative expenses		(178,029,630)	(223,852,007)
Management's remuneration		(30,901,443)	(43,173,756)
<b>Total expenses</b>		(500,141,859)	(599,388,917)
<b>Loss before finance costs and income tax</b>		(395,709,587)	(237,841,452)
Finance costs		(70,977,256)	(36,249,440)
<b>Loss before income tax</b>		(466,686,843)	(274,090,892)
Income tax		-	-
<b>Net loss for the year</b>		(466,686,843)	(274,090,892)
Basic loss per share	24		
Net loss for the year		(0.89)	(0.91)

The notes on pages 75 to 101 are an integral part of these financial statements.

# California WOW Xperience Public Company Limited

## Statements of Changes in Shareholders' Equity

For the year ended 31 December 2010 and 2009

	Note	Issued and paid-up share capital	Retained earnings				Total shareholders' equity
		Baht	Share premium	Share discount	Appropriated - legal reserve	Deficits	
		Baht	Baht	Baht	Baht	Baht	Baht
Beginning balance as at 1 January 2010		300,000,671	280,053,927	-	3,652,217	(450,976,957)	132,729,858
Issuance of ordinary share	20	250,369,096	-	(137,703,003)	-	-	112,666,093
Net loss for the year		-	-	-	-	(466,686,843)	(466,686,843)
Ending balance as at 31 December 2010		550,369,767	280,053,927	(137,703,003)	3,652,217	(917,663,800)	(221,290,892)
Beginning balance as at 1 January 2009		300,000,671	280,053,927	-	3,652,217	(176,886,065)	406,820,750
Net loss for the year		-	-	-	-	(274,090,892)	(274,090,892)
Ending balance as at 31 December 2009		300,000,671	280,053,927	-	3,652,217	(450,976,957)	132,729,858

The notes on pages 75 to 101 are an integral part of these financial statements.



# California WOW Xperience Public Company Limited

## Statements of Cash Flows

For the year ended 31 December 2010 and 2009

		2010	2009
	Notes	Baht	Baht
<b>Cash flows from operating activities:</b>			
Loss before income tax		(466,686,843)	(274,090,892)
Adjustments for:			
Doubtful debts		(47,318)	(630,779)
Depreciation	11	239,559,535	246,948,092
Amortisation of prepaid rents	10	6,571,322	7,779,713
Amortisation of intangible assets	12	2,741,911	4,241,062
Reversal impairment of leasehold improvement and equipment	11	(17,971,161)	-
Impairment charge of leasehold improvement and equipment	11	95,963,792	17,971,161
(Reversal) impairment charge of prepaid rents	10	(2,073,547)	2,073,547
Recognition of deferred income	14	(605,631,940)	(813,843,640)
Interest expense		70,977,255	36,249,440
(Gain) on disposal of leasehold improvement and equipment		(10,700)	(35,282)
Loss on written-off of leasehold improvement and equipment and intangible assets	11, 12	29,498,823	81,152,976
Loss on disposal and written-off of prepaid rents	10	1,857,778	22,790,625
Loss on written-off of deposits for leasehold		3,403,695	-
Operating loss before change in working capital		(641,847,398)	(669,393,977)
Change in operating assets and liabilities:			
- Trade accounts receivable		135,211	1,802,201
- Inventories		(3,626,181)	-
- Prepayments		(4,928,232)	12,791,897
- Other current assets		3,778,524	705,825
- Trade accounts payable		14,665,544	18,582,111
- Amounts due to related parties		(45,958,693)	66,825,761
- Other payables		(2,540,351)	(9,800,178)
- Deferred income	14	611,199,927	621,249,152
- Accrued expenses		(963,209)	11,519,246
- Other non-current liabilities		965,000	(316,000)
Cash generated from operation		(69,119,858)	53,966,038
<u>Less</u> Interest paid		(30,641,445)	(32,728,225)
Tax paid (withholding tax)		(393,447)	(968,323)
Net cash (used in) generated from operating activities		(100,154,750)	20,269,490

The notes on pages 75 to 101 are an integral part of these financial statements.

# California WOW Xperience Public Company Limited

## Statements of Cash Flows (Cont'd)

For the year ended 31 December 2010 and 2009

		2010	2009
	Notes	Baht	Baht
<b>Cash flows from investing activities:</b>			
Cash payment for purchases of leasehold improvement and equipment		(7,991,763)	(23,944,102)
Proceeds from disposal of equipment		15,888	255,140
Cash payment for acquisition of intangible assets	12	(417,282)	(815,351)
Cash (payment)/received from refunded deposits for leaseholds		(612,897)	871,417
Net cash used in investing activities		(9,006,054)	(23,632,896)
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of ordinary shares	20	112,666,093	-
Proceeds from bank overdrafts and short-term borrowings from financial institutions		(16,605)	25,123,698
Repayment of obligation under finance lease agreements		(6,918,673)	(7,650,497)
Repayment of long-term borrowings	16	(11,348,543)	(51,655,431)
Net cash generated from (used in) financing activities		94,382,272	(34,182,230)
Net decrease in cash and cash equivalents		(14,778,532)	(37,545,636)
Cash and cash equivalents at beginning of year		34,519,951	72,065,587
Cash and cash equivalents at end of year		19,741,419	34,519,951
<b>Significant non-cash transactions</b>			
Outstanding payable from purchases of leasehold improvement and equipment		14,751,077	18,836,151

The notes on pages 75 to 101 are an integral part of these financial statements.

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 1. General information

California WOW Xperience Public Company Limited (the "Company") is a public limited company, which incorporated and resident in Thailand and listed on the Stock Exchange of Thailand. The address of the Company's registered office is as follows:

191 Silom Complex Building, 20th Floor, Silom Road, Bangrak, Bangkok, 10500.

The principal business operations of the Company is engaging in business of fitness center services and other related services.

#### Financial position

The Company incurred a net loss of Baht 466.69 million for the year ended 31 December 2010 and, as of that date the Company's total current liabilities exceeded its total current assets by Baht 1,069.87 million. The Company has overdue bank overdrafts and short-term borrowings from financial institutions of Baht 125.11 million (Note 13) and has overdue long-term bank borrowings of Baht 296.80 million (Note 16).

According to the regulation of SET, in case the latest audited financial statements of a public company shows shareholder's equity less than zero, the public company may be delisted. The company financial statements as at 31 December 2010, shows the shareholder's equity at negative of Baht 221.29 million, SET will post a Non-Compliance sign (NC) and a Suspension sign (SP) until those issues are resolved.

During 2010, TMB Bank Public Company Limited and Bank of Ayudhya Public Company Limited filed lawsuits against the Company for the overdue repayments of the borrowings principal and default interests totalling Baht 183.82 million, together with the related legal and lawyer fees (Note 25.4).

The Company's ability to continue as a going concern is dependent upon achieving future revenue and the continuing support of its shareholders and lenders. The Company's management is continuously monitoring its operations and cash flows and has prepared their 5 year business plan for the period of 2011 to 2015 consisting of expected future cash flows based on change in business model to increase dues and prepaid dues membership, continuing reducing operating costs to lower its break-even point, introducing new marketing initiatives and service programs to increase revenues such as TRX, nutritional products and supplements and finding of new source of fund to improve financial and liquidity situation and the proposed restructuring of liabilities to landlords. Besides, the Company is on the process of negotiation with the loan banks to reschedule the debt and/or find new source of funds to repay debts to such banks. These situations; however, indicate the existence of multiple material uncertainties which may cast significant doubt on the Company's ability to continue as a going concern and as a result, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. The Company's management are still optimistic about the possible outcome of the business plan and has prepared the financial statements on a going concern basis.

These financial statements were authorised for issue by the Board of Directors on 23 February 2011.

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 2 Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below:

##### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

An English version of the financial statements have been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail

##### 2.2 New accounting standards, new financial reporting standards, new interpretation, amendments to accounting standards and accounting framework

###### a) Accounting framework

The amendment of accounting framework is effective on 26 May 2010.

###### b) New accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards

The following new accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards are mandatory for the accounting periods beginning on or after 1 January 2011 and 1 January 2013, but the Company has not early adopted them:

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 2 Accounting policies (Cont'd)

##### 2.2 New accounting standards, new financial reporting standards, new interpretation, amendments to accounting standards and accounting framework (Cont'd)

##### b) New accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards (Cont'd)

###### Effective for the periods beginning on or after 1 January 2011

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

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 2 Accounting policies (Cont'd)

##### 2.2 New accounting standards, new financial reporting standards, new interpretation, amendments to accounting standards and accounting framework (Cont'd)

##### b) New accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards (Cont'd)

###### Effective for the periods 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 has determined that the new accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards will not significantly impact the financial statements being presented except TAS 1(Revised 2009) Presentation of Financial Statements, TAS 12 Income Taxes, TAS 16 (Revised 2009) Property, Plant and Equipment, and TAS 19 Employee Benefits.

TAS 1 (Revised 2009), the revised standard will prohibit the presentation of items of income and expenses in the statement of changes in equity. Entities can choose whether to present one statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated statement of financial position as at the beginning comparative period in addition to the current requirement to present statement of financial position at the end of the current period and comparative period. However, for the financial statements which period beginning on or after 1 January 2011 and are the first period apply this standard, an entity can choose to present statement of financial position only two statements without the statement of financial position as at the beginning comparative period. The Company will apply TAS 1 (Revised 2009) from 1 January 2011. It is likely that both income statement and statement of comprehensive income will be presented as one statement.

TAS 12 deals with taxes on income, comprising current tax and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or be paid to the taxation authorities, using tax rates and tax law that have been enacted or substantively enacted by the end of the reporting period. Deferred taxes are measured based on the temporary difference between the tax base of an asset or liability and its carrying amount in the financial statements and using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax law that have been enacted or substantively enacted by the end of the reporting period. The Company will apply this standard from 1 January 2013 retrospectively with an expectation to incur of deferred tax account and changes in retained earnings and income tax expense. The management is currently assessing the impact of applying this standard.

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 2 Accounting policies (Cont'd)

##### 2.2 New accounting standards, new financial reporting standards, new interpretation, amendments to accounting standards and accounting framework (Cont'd)

###### b) New accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards (Cont'd)

TAS 16 (Revised 2009), the revised standard requires the entity to include in cost of property, plant and equipment, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, when the entity has obligation to do. An entity requires that an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The revised standard also requires an entity to review useful life, residual value and depreciation method at least at each financial year-end. The Company will apply this standard from 1 January 2011 with an expected adjustment to retained earnings. The management is currently assessing the impact of applying this standard.

TAS 19 deals with accounting for employee benefit. The standard classifies employee benefit into 4 categories: a) short-term employee benefits b) post-employment benefits (including defined contribution plan and defined benefit plan) c) other long-term employee benefits and d) termination benefits. The standard requires the entity to measure the defined benefit plan and other long-term employee benefits by using the Projected Unit Credit method (PUC). An entity can choose to recognise any actuarial gain or loss for defined benefit plan either in other comprehensive income or profit and loss. Actuarial gain or loss for other long-term employee benefit shall recognise in profit and loss. The Company will apply this standard from 1 January 2011.

##### 2.3 Foreign currency translation

Items included in the financial statements are measured using Thai Baht. The financial statements are presented in Thai Baht.

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated to Thai Baht at the exchange rate prevailing at the balance sheet date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income

##### 2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with maturities of three months or less from the date of acquisition. Bank overdrafts are included in current liabilities on the balance sheet.



# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 2 Accounting policies (Cont'd)

##### 2.5 Trade accounts receivable

Trade accounts receivable are carried at the original invoice amount and subsequently measured at the remaining amount less any allowance for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written off during the year in which they are identified and recognised in the income statement within administrative expenses

##### 2.6 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the first-in, first-out method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Allowance is made, where necessary, for obsolete, slow moving and defective inventories.

##### 2.7 Leasehold improvements and equipment

Leasehold improvements and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis to write off the cost of each asset, to its residual value over the estimated useful life or, if it is shorter, the lease term, as follows:

Leasehold improvements	Lease period but not over 10 years
Fitness equipment	7 years
Furniture, fixture and office equipment	5 years
Computer hardware	5 years
Motor vehicles	5 years

Estimated useful life of the assets are revised as appropriated.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 2 Accounting policies (Cont'd)

##### 2.7 Leasehold improvements and equipment (Cont'd)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in operating income.

Interest costs on borrowings to finance the construction and fitness under installation are capitalised as part of cost of the asset, during the period of time required to complete and prepare the property for its intended use.

##### 2.8 Intangible assets

###### Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives being 3 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

###### Other intangible assets

Expenditure on acquired Television Programs and other license are capitalised and amortised using the straight-line basis over their useful lives as follows:

Television programs	3 - 5 years
Other license	contract period but not over 10 years

##### 2.9 Impairment of assets

Leasehold improvement and equipment and other non-financial assets, including intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 2 Accounting policies (Cont'd)

##### 2.10 Leases - where Company is the lessee

Leases of equipment which substantially transfer all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased equipment or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of income over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

##### 2.11 Employee benefits

The Company operates a provident fund that is a defined contribution plan. The assets of which are held in a separate fund which is managed by the external fund manager. The provident fund is funded by payments from employees and by the relevant company. Contributions to the provident fund are charged to the statement of income in the year to which they relate.

##### 2.12 Provisions

Provisions, excluding the provisions for employee benefits, are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

##### 2.13 Deferred expenses

Deferred expenses are commission expenses which are paid to Personal Trainers. These costs are deferred and amortised over the average expected service period.

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 2 Accounting policies (Cont'd)

##### 2.14 Revenue recognition

Revenues of the Company consists principally enrolment fee, processing fee, monthly dues membership and term membership dues.

Enrollment fee of monthly dues membership and processing fee are recognised at the transaction date.

Enrollment fee of term membership is recognised partially as revenue at the transaction date. The remaining balance and term membership dues paid in advance are deferred and recognised as revenue based on membership agreement period.

Enrollment fee of term membership with permanent renewal option is recognised partially as revenue at the transaction date. The remaining balance and term membership dues paid in advance are deferred and recognised as revenue based on the estimated average member relationship period according to the Company's experience.

Monthly dues membership are recognised as revenue in the period in which services are provided.

Additional services from Personal Trainers, Kick Fit, Vibro, Yoga, Pilates sessions paid in advance are deferred and recognised as revenue based on contracts.

##### Other revenues

Interest income is recognised on a time proportion basis, taking into account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company.

License Fee and Sponsorship Fee are recognised on an accrual basis in accordance with the substance of the relevant agreements

##### 2.15 Income tax

The Company calculates income tax in accordance with the Revenue Code and records income tax on an accrual basis. The Company does not recognise income tax payable or receivable in future periods with respect to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

##### 2.16 Dividends paid

Dividends paid are recorded in the financial statements in the period in which they are approved by the shareholders

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 3 Financial risk management

##### 3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt market prices, and interest rates. Risk management is carried out by management. The Company's overall risk management programme focusses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

##### 3.1.1 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company. Concentrations of credit risk with respect to trade account receivables are limited due to the Company has dispersed customer base.

##### 3.1.2 Foreign exchange risk

Foreign exchange risk arises from the change in foreign currency exchange rate to have an adverse effect on the Company in the current reporting period and in the future years. The Company does not expect to incur material incremental effect from changes in exchange rates to the financial statements and the results of its operations.

##### 3.1.3 Interest rate risk

Interest rate risk of bank overdrafts and short-term borrowings from financial institutions, and long-term borrowings in the balance sheet arises from the potential for a change in interest rate to have an adverse effect on the Company in the current reporting period and in future years. The Company has no significant interest-bearing assets. The Company may incur loss from interest rate change as all of the Company's borrowings carried variable rates of interest.

##### 3.1.4 Liquidity risk

The Company's liquidity risk is mainly induced by its maturing financial debts, as well as by payment relating to the operating activities. To reduce its exposure to liquidity risk, the Company increase its authorised share capital and offered to the shareholders as described in Note 20. Besides, the management propose to the creditors on the utilisation of capital proceeds as to maintain sufficient cash for operation.

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 3 Financial risk management (Cont'd)

##### 3.2 Accounting for hedging activities

###### 3.2.1 Fair value estimation

The fair value of financial assets and liabilities with a maturity of less than one year are approximate their book values. Long-term borrowings carried an interest approximately at the default and market interest rate. Management believed that their net book values are assumed to approximate their fair value.

#### 4 Critical accounting estimates, assumptions and judgements

##### 4.1 Critical accounting estimates, assumptions

Estimates and judgements are continually evaluated by management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

###### 4.1.1 Impairment of receivables

The Company records an allowance for doubtful accounts which is equivalent to the estimated collection losses that may be incurred in the collection of all receivables. The estimated losses are based on historical collection experience combined with a review of all outstanding receivables at the balance sheet date.

###### 4.1.2 Leasehold improvements and equipment and intangible assets

Management determines the estimated useful lives and residual values for the Company's leasehold improvements and equipment and intangible assets. Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write off or write down technically obsolete or assets that have been abandoned or sold.

###### 4.1.3 Estimated impairment of leasehold improvement

The Company considers annually whether leasehold improvement and equipment has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 11).

If the estimated inflation had been 10% higher than management's estimates at 31 December 2010 (2.75% instead of 2.5%), it would have increased service income at 31 December 2011 in the discounted cash flows and the Company would have reduced the impairment against leasehold improvement and equipment by Baht 19,940,939.

If the estimated Weight Average Cost of Capital (WACC) applied to the discounted cash flows had been 10% higher than management's estimates (11.68% instead of 10.62%), the Company would have recognised a further impairment against leasehold improvement and equipment by Baht 17,213,206.

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 4 Critical accounting estimates, assumptions and judgements (Cont'd)

##### 4.2 Critical judgements in applying the entity's accounting policies

###### 4.2.1 Applying going concern basis

The Company's financial position and circumstances described in Note 1 indicate the existence of multiple material uncertainties which may cast significant doubt on the Company's ability to continue as a going concern. The Company's management are optimistic about the possible outcome of the business plan. Therefore, the financial statements have been prepared on a going concern basis.

###### 4.2.2 Revenue recognition - term membership with permanent renewal option

Management determines the average member relationship period based on the Company's experience. The estimated average member relationship period is reviewed annually by comparing with the actual renewal statistic and will be revised if the difference is significant.

#### 5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

#### 6 Segment reporting

The Company engages in the business of fitness center services and other related services and only operates in Thailand which represents only one business segment. Therefore, the segment information is not necessary to be presented.

#### 7 Cash and cash equivalents

	2010	2009
	Baht	Baht
Cash on hand	1,480,500	1,517,500
Deposits held at call with banks	18,260,919	33,002,451
Total cash and cash equivalents	19,741,419	34,519,951

The interest rates on deposits held at call with banks are ranging from 0.25% per annum to 0.75% per annum (2009: 0.50% per annum to 0.75% per annum).



# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

For the years ended 31 December 2010 and 2009

### 8 Trade accounts receivable, net

	2010 Baht	2009 Baht
Trade accounts receivable	2,285,296	2,420,507
<u>Less</u> Allowance for doubtful accounts	(799,855)	(847,173)
Trade accounts receivable, net	1,485,441	1,573,334

All trade accounts receivable are overdue less than 1 month

### 9 Inventories

	2010 Baht	2009 Baht
Finished goods	4,200,000	573,819

During 2010, there was no charge to the income statement for damage, obsolete and lost inventories.

### 10 Prepaid rents

	Baht
<b>For the year ended 31 December 2010</b>	
Opening net book value	98,873,928
Write-off (Note 23)	(1,857,778)
Reverse impairment charge (Note 23)	2,073,547
Amortisation (Note 23)	(6,571,322)
Closing net book value	92,518,375

	2010 Baht	2009 Baht
Current portion of prepaid rents due within one year	6,579,481	6,577,674
Long-term portion of prepaid rents	85,938,894	92,296,254
	92,518,375	98,873,928

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 10 Prepaid rents (Cont'd)

At 31 December 2010 and 2009, leased building rights for existing clubs are used as collateral for long-term borrowings (Note 16).

During 2010, the Company's management completes downsizing two fitness clubs' space, one of which has prepaid rents. Therefore, the prepaid rents of Baht 1.86 million were written off, and the allowance for impairment of Baht 2.07 million provided since 2009 was reversed.

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 11 Leasehold improvement and equipment, net

	Leasehold improvement	Fitness equipment	Furniture, fixtures and office equipment	Computer hardware	Motor vehicles	Construction in progress	Total Baht
	Baht	Baht	Baht	Baht	Baht	Baht	Baht
<b>As at 1 January 2009</b>							
Cost	1,691,694,597	428,541,240	120,899,026	27,558,533	3,769,475	43,428,089	2,315,890,960
<u>Less Accumulated depreciation</u>	(489,724,916)	(192,710,102)	(62,671,475)	(15,569,175)	(1,686,916)	-	(762,362,584)
Net book amount	1,201,969,681	235,831,138	58,227,551	11,989,358	2,082,559	43,428,089	1,553,528,376
<b>For the year ended 31 December 2009</b>							
Opening net book amount	1,201,969,681	235,831,138	58,227,551	11,989,358	2,082,559	43,428,089	1,553,528,376
Additions	8,719,582	167,789	3,093,959	1,701,165	-	1,135,500	14,817,995
Transfers	29,140,801	9,967,525	-	-	-	(39,108,326)	-
Disposal	-	-	(220,756)	-	-	-	(220,756)
Write-off (Note 23)	(74,307,044)	-	(1,914,693)	(3,483)	-	(4,914,418)	(81,139,638)
Impairment charge (Note 23)	(17,971,161)	-	-	-	-	-	(17,971,161)
Depreciation (Note 23)	(163,522,554)	(55,680,095)	(22,339,970)	(4,651,578)	(753,895)	-	(246,948,092)
Closing net book amount	984,029,305	190,286,357	36,846,091	9,035,462	1,328,664	540,845	1,222,066,724
<b>As at 31 December 2009</b>							
Cost	1,628,371,511	438,676,554	119,406,593	29,223,364	3,769,475	540,845	2,219,988,342
<u>Less Accumulated depreciation</u>	(626,371,045)	(248,390,197)	(82,560,502)	(20,187,902)	(2,440,811)	-	(979,950,457)
Allowance for impairment	(17,971,161)	-	-	-	-	-	(17,971,161)
Net book amount	984,029,305	190,286,357	36,846,091	9,035,462	1,328,664	540,845	1,222,066,724

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 11 Leasehold improvement and equipment, net (Cont'd)

	Leasehold improvement	Fitness equipment	Furniture, fixtures and office equipment	Computer hardware	Motor vehicles	Construction in progress	Total
	Baht	Baht	Baht	Baht	Baht	Baht	Baht
<b>For the year ended 31 December 2010</b>							
Opening net book amount	984,029,305	190,286,357	36,846,091	9,035,462	1,328,664	540,845	1,222,066,724
Additions	4,317,034	2,536,769	1,485,326	60,420	-	393,750	8,793,299
Disposal	-	-	(5,188)	-	-	-	(5,188)
Write-off (Note 23)	(29,495,203)	-	(3,620)	-	-	-	(29,498,823)
Reverse impairment charge (Note 23)	17,971,161	-	-	-	-	-	17,971,161
Impairment charge (Note 23)	(95,963,792)	-	-	-	-	-	(95,963,792)
Depreciation (Note 23)	(159,516,550)	(55,865,028)	(19,361,699)	(4,062,776)	(753,482)	-	(239,559,535)
Closing net book amount	721,341,955	136,958,098	18,960,910	5,033,106	575,182	934,595	883,803,846
<b>As at 31 December 2010</b>							
Cost	1,591,957,826	441,213,323	120,858,100	29,283,784	3,769,475	934,595	2,188,017,103
Less: Accumulated depreciation	(774,652,079)	(304,255,225)	(101,897,190)	(24,250,678)	(3,194,293)	-	(1,208,249,465)
Allowance for impairment	(95,963,792)	-	-	-	-	-	(95,963,792)
Net book amount	721,341,955	136,958,098	18,960,910	5,033,106	575,182	934,595	883,803,846

As at 31 December 2010, costs of the assets which are fully depreciated but still in use, are amounting to Baht 99.4 million (2009: Baht 82.8 million).

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 11 Leasehold improvement and equipment, net (Cont'd)

During 2010, the downsizing to fitness club's space was completed and related leasehold improvement was written off amounting to Baht 29 million. The allowance for impairment of Baht 18 million provided since 2009 was reversed.

During the second quarter of 2009, a fitness club was closed. The related leasehold improvement and equipment of Baht 76 million were written off. During the third quarter of 2009, the Company wrote off leasehold improvement during construction of Baht 5 million.

There is no borrowing costs capitalised during 2010 and 2009.

#### Impairment charge for leasehold improvement and equipment

The impairment charge of Baht 95,963,792 in 2010 for leasehold improvement and equipment was made during the year as a result of forecasted operating losses. The recoverable amount was determined at the cash generating unit (CGU) level being fitness club. The recoverable amount represents the value in use, and the basis used to determine the amount is described in the following paragraph.

The recoverable amount of a CGU is determined based on value-in-use calculation. These calculations use pre-tax cash flow projection based on financial plans approved by management covering a five-year period. Cash flows beyond the five-year period are extra prorated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for business in which the CGU operates.

The key assumptions used for value-in-use calculations are as follows:

Growth rate	2.5%
Discount rate	10.62%

These assumptions have been used for the analysis of each CGU. Management determined financial plan based on past performance and its expectations of market development. The growth rate used is consistent with the historical information. The discount rate used is pre-tax and is estimated from the Weighted Average Cost of Capital (WACC) of the Company.

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 12 Intangible assets, net

	Software Baht	Television Program Baht	License fee Baht	Total Baht
<b>As at 1 January 2009</b>				
Cost	10,164,363	10,728,974	5,749,110	26,642,447
<u>Less</u> Accumulated amortisation	(8,260,578)	(6,676,357)	(3,690,409)	(18,627,344)
Net book amount	<u>1,903,785</u>	<u>4,052,617</u>	<u>2,058,701</u>	<u>8,015,103</u>
<b>For the year ended 31 December 2009</b>				
Opening net book amount	1,903,785	4,052,617	2,058,701	8,015,103
Additions	345,201	-	470,150	815,351
Write-off	-	-	(13,338)	(13,338)
Amortisation (Note 23)	(1,228,330)	(2,025,898)	(986,834)	(4,241,062)
Closing net book amount	<u>1,020,656</u>	<u>2,026,719</u>	<u>1,528,679</u>	<u>4,576,054</u>
<b>As at 31 December 2009</b>				
Cost	10,509,564	10,728,974	6,192,110	27,430,648
<u>Less</u> Accumulated amortisation	(9,488,908)	(8,702,255)	(4,663,431)	(22,854,594)
Net book amount	<u>1,020,656</u>	<u>2,026,719</u>	<u>1,528,679</u>	<u>4,576,054</u>
<b>For the year ended 31 December 2010</b>				
Opening net book amount	1,020,656	2,026,719	1,528,679	4,576,054
Additions	16,590	-	400,692	417,282
Write-off	-	-	-	-
Amortisation (Note 23)	(724,180)	(1,344,306)	(673,425)	(2,741,911)
Closing net book amount	<u>313,066</u>	<u>682,413</u>	<u>1,255,946</u>	<u>2,251,425</u>
<b>As at 31 December 2010</b>				
Cost	10,526,154	10,728,974	6,592,802	27,847,930
<u>Less</u> Accumulated amortisation	(10,213,088)	(10,046,561)	(5,336,856)	(25,596,505)
Net book amount	<u>313,066</u>	<u>682,413</u>	<u>1,255,946</u>	<u>2,251,425</u>

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 13 Bank overdrafts and short-term borrowings from financial institutions

	2010 Baht	2009 Baht
Bank overdrafts	25,107,093	25,123,698
Short-term borrowings from financial institutions	100,000,000	100,000,000
	<u>125,107,093</u>	<u>125,123,698</u>

As at 31 December 2010, interest rates on bank overdrafts are 6.25% per annum and default interest rate from overdue is at 15% per annum. Short-term borrowings from financial institutions are in form of promissory notes, carrying interest at the rate of 6.120% per annum and at the rates of 5.875% per annum (2009: MLR per annum). The promissory notes have maturity date on 26 November 2009 and on 15 February 2011 (2009: on 26 November 2009 and 16 February 2010). The short-term borrowings are unsecured.

Short-term borrowings from financial institutions and Borrowings (Note 16) are subjected to certain debt covenant conditions as required by the lenders. On 26 November 2009, a bank issued a memorandum claiming that on 13 November 2009 the Company failed to meet one of the requirements as it was unable to maintain the shareholding percentage held by Major Cineplex Group Public Company Limited at 30% of the total paid-up share capital of the Company as the minimum. As a result, the bank decided not to extend the maturity date of the promissory note of Baht 50 million which was due on 26 November 2009 nor allow the Company to further utilise short-term loan facility. The bank also requested immediate repayment of the principal and all accrued interest thereon under the promissory note. Currently, the Company recognised its interest expense at the highest default rate of 15% per annum.

#### 14 Deferred income

	2010 Baht	2009 Baht
Opening balance	630,124,648	822,719,136
<u>Add</u> Increase during the year	611,199,927	618,016,229
<u>Less</u> Realised as income during the year	(605,631,940)	(810,610,717)
	<u>635,692,635</u>	<u>630,124,648</u>
Current portion - to be realised as income within one year	(452,589,168)	(352,044,028)
Deferred income - non-current portion	<u>183,103,467</u>	<u>278,080,620</u>



# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 15 Obligation under finance lease

Finance lease liabilities - minimum lease payments are as follows:

	2010 Baht	2009 Baht
Within 1 year	33,193,509	40,112,182
Later than 1 year but not later than 2 years	-	-
<u>Less</u> Future finance charge on finance leases	-	-
Present value of finance lease liabilities	<u>33,193,509</u>	<u>40,112,182</u>

The present value of finance lease liabilities is as follows:

	2010 Baht	2009 Baht
Not later than 1 year	33,193,509	40,112,182
Later than 1 year but not later than 2 years	-	-
	<u>33,193,509</u>	<u>40,112,182</u>

#### 16 Borrowings

Long-term borrowings represents bank borrowings which bear interest at the rates ranging from MLR - 0.25% per annum to MLR - 1.00% per annum (2009 : MLR - 0.25% per annum to MLR - 1.00% per annum)

The movements in bank borrowings can be analysed as follows:

	2010 Baht	2009 baht
<b>For the years ended 31 December</b>		
Opening amount	308,144,569	259,800,000
Reschedule repayment terms from short-term to long-term	-	100,000,000
Repayment	(11,348,543)	(51,655,431)
Closing amount	<u>296,796,026</u>	<u>308,144,569</u>

Long-term borrowings are secured by the rights to certain lease agreements of existing clubs (Note 11).

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 16 Borrowings (Cont'd)

Bank borrowings are subjected to certain debt covenant conditions required by the lenders which include maintaining appropriate debt to equity ratio. As at 31 December 2010 and 2009, the Company's debt to equity ratio is not in accordance with the debt covenant requirements, and therefore, the banks are entitled to call back the loans immediately. Accordingly, bank borrowings with maturity later than 1 year of Baht 162,000,000, are presented as current portion.

On 6 October 2010, TMB Bank Public Company Limited filed a lawsuit against the Company at Southern Bangkok Civil Court for the repayments of the borrowing principal and the default interest of Baht 58,470,785 and the related legal and lawyer fees. The default interest at the rate of 15.50% per annum calculated based on the principal of Baht 54,162,458, from the filing date onwards until the debts are fully paid. On 1 November 2010, the Company submitted it's request to the court for the extension period of conciliation/ mediation.

On 19 October 2010, Bank of Ayudhya Public Company Limited filed a lawsuit against the Company at Southern Bangkok Civil Court for the repayments of the borrowing principal and the default interest of Baht 125,349,515 and the related legal and lawyer fees. The default interest at the rate of 15% per annum calculated based on the principal of Baht 119,320,443 from the filing date onwards until the debts are fully paid. On 13 December 2010, the Company submitted it's request to the court for the extension period of conciliation/ mediation.

Meanwhile, the Company is in negotiating with the banks to reschedule the debt and/or find new source of funds to repay debts to such banks and remains confident that the cases can be resolved before the court renders its judgments.

Maturity of bank borrowings:

	2010 Baht	2009 Baht
<b>Current portion</b>		
Within 1 year	296,796,026	308,144,569
<b>Non-current portion</b>	-	-

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 17 Warrants

##### Warrant issued and offered to directors and employees (ESOP)

The Company issued and offered a grant of warrants to directors and employees of the Company, which are in registered form and are non-transferable. The warrant has no offered price and their terms do not exceed 5 years from the issued date. The exercise ratio is one unit of warrant one ordinary share. After share capital increase, the exercise ratio is one unit of warrant to 1.343 ordinary shares. Warrants are details as below:

	Issued date	Issued units Million	Exercise price Baht/unit	Exercise period	
				Start	End
ESOP	14 July 2006	16	4.878	30 March 2007	13 July 2011

As at 31 December 2010, the outstanding warrants are 7.48 million units due to directors resigned (31 December 2009: 15.99 million units).

#### 18 Dividends paid

There is no dividend paid for the year 2010 and 2009.

#### 19 Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Major Cineplex Group Public Company Limited and Mr. Eric Mark Levine's Group are the major shareholders of the Company who own 19% and 44% of the Company's shares, respectively (2009: Own 19% and 39% of the Company's shares, respectively). The remaining shares are widely held.

Transactions with the companies within the two groups of the above mentioned shareholders are considered related parties transactions.

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

For the years ended 31 December 2010 and 2009

### 19 Related party transactions (Cont'd)

During the year, the Company has entered into significant transactions with related companies. The terms and basis of such transactions are negotiated between the parties in the ordinary course of business, mainly at arm's length, and according to normal trade conditions.

The following material transactions were carried out with related parties:

#### a) Purchase of goods and services

	2010 Baht	2009 Baht
<b>Rental and area service expenses</b>		
Related companies	158,811,080	180,807,570
<b>Utilities expenses</b>		
Related companies	40,537,658	47,115,261
<b>Marketing expenses</b>		
Related companies	48,000	53,039
<b>Consulting fee/(reversal)</b>		
Related company	(2,720,000)	4,080,000
<b>Interest expense</b>		
Related companies	1,834,443	6,759,881

#### b) Outstanding balances arising from purchases of goods/services from related parties

	2010 Baht	2009 Baht
<b>Amounts due to and borrowing from related parties</b>		
Related companies	68,561,330	114,520,023
<b>Deposits for leaseholds</b>		
Related companies	24,886,264	25,439,464

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 19 Related party transactions (Cont'd)

##### c) Directors' and top managements' remuneration

In 2010, the total remuneration of the directors and top managements approximated Baht 36.6 million (2009: Baht 58.1 million), including salaries and other benefits. The remuneration of Baht 5.7 million was part of cost of rendering of services (2009: Baht 14.9 million).

#### 20 Share capital and share premium

	Authorised number of shares Shares	Issued and fully paid-up				
		Number of shares Shares	Ordinary shares Baht	Share premium Baht	Share discount Baht	Total Baht
At 1 January 2009	321,952,000	300,000,671	300,000,671	280,053,927	-	580,054,598
Issue of shares	-	-	-	-	-	-
At 31 December 2009	321,952,000	300,000,671	300,000,671	280,053,927	-	580,054,598
Increase of authorised shares	402,000,899	-	-	-	-	-
Issue of shares	-	250,369,096	250,369,096	-	(137,703,003)	112,666,093
At 31 December 2010	723,952,899	550,369,767	550,369,767	280,053,927	(137,703,003)	692,720,691

As at 31 December 2010, the total authorised number of ordinary shares is 723,952,899 shares (as at 31 December 2009: 321,952,000 shares) with a par value of Baht 1 per share (as at 31 December 2009: Baht 1 per share).

On 6 January 2010, the shareholders at the Extraordinary Shareholders' Meeting passed a special resolution to approve an increase in the Company's authorised share capital from 321,952,000 ordinary shares with a par value of Baht 1 per share to 723,952,899 ordinary shares with a par value of Baht 1 per share. The Company registered the increase in capital with the Ministry of Commerce on 10 February 2010.

During 2010, the Company received subscription payment for 250,369,096 share at Baht 0.45 per share totalling Baht 112,666,093, comprising issued and fully paid-up share capital of Baht 250,369,096 and share discount of Baht 137,703,003.

#### 21 Legal reserve

Under the Public Limited Companies Act., B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10% of the registered capital. The legal reserve is non-distributable.

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

For the years ended 31 December 2010 and 2009

### 22 Other income

	2010 Baht	2009 Baht
Sponsorship income	7,518,972	27,124,400
License fee income	7,821,940	6,360,844
Other compensation	1,482,417	1,085,582
Other income	16,257,464	19,588,753
	<u>33,080,793</u>	<u>54,159,579</u>

### 23 Expense by nature

The following expenditure items, classified by nature, have been charged in arriving at operating loss:

	Note	2010 Baht	2009 Baht
Depreciation of leasehold improvements and equipment	11	239,559,535	246,948,092
Loss on written-off of leasehold improvements and equipment	11	29,498,823	81,139,638
Amortisation of intangible assets	12	2,741,911	4,241,062
Amortisation of prepaid rents	10	6,571,322	7,779,713
Loss on written-off of prepaid rents	10	1,857,778	22,790,625
(Reversal) impairment charge on prepaid rents	10	(2,073,547)	2,073,547
Reversal impairment of leasehold improvements and equipment	11	(17,971,161)	-
Impairment charge on leasehold improvements and equipment	11	95,963,792	17,971,161
Operating leases rental		270,511,074	310,987,813
Staff costs		510,273,744	623,722,081

# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 24 Basic loss per share

Basic loss per share is calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Net loss attributable to ordinary shareholders (Baht)	(466,686,843)	(274,090,892)
Weighted average number of ordinary shares in issue during the years (Shares)	522,246,115	300,000,671
Basic loss per share (Baht)	(0.89)	(0.91)

There is no potential dilution on earnings per share in relation to warrants because the average share price during the year is lower than the exercise price of the warrants.

#### 25 Commitments and contingencies

##### 25.1 Operating lease commitments

As at 31 December, the Company has commitment obligations in terms of long-term leased buildings and service contracts.

The future aggregate minimum lease payments under operating leases are as follows:

	2010 Baht	2009 Baht
Not later than 1 year	299,066,119	255,268,185
Later than 1 year but not later than 5 years	995,903,873	1,071,417,488
Later than 5 years	2,057,839,653	2,281,392,157
	<u>3,352,809,645</u>	<u>3,608,077,830</u>

##### 25.2 Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	2010 Baht	2009 Baht
Leasehold improvements and equipment	-	-



# California WOW Xperience Public Company Limited

## Notes to the Financial Statements

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

#### 25 Commitments and contingencies (Cont'd)

##### 25.3 Bank guarantee

At 31 December 2010, there are outstanding bank guarantees amounting to Baht 3.6 million (2009: Baht 3.6 million) in respect of long-term leased building and service contract.

##### 25.4 Litigations

###### Borrowings (Note 16)

During 2010, TMB Bank Public Company Limited and Bank of Ayudhya Public Company Limited filed lawsuits against the Company for the repayments of the borrowings principal and default interests totalling Baht 183.82 million, together with the related legal and lawyer fees

###### Other litigation

The Company was one of the defendants and also a counter claimant in litigation involving disputes on a license agreement. On 19 November 2009, a Settlement Agreement and Mutual Release was entered into by the parties to end these disputes. On 6 January 2010, the court dismissed the disputes with prejudice, with each party to bear its own costs and attorney's fees.

## General Information

<b>Name of the Company</b>	: California WOW Xperience Public Company Limited ('Company')
<b>Type of Business</b>	: Providing services of exercising area and equipment including a variety of workout trainings
<b>Office</b>	: 191, 20th Floor, Silom Complex Building, Unit 3-5, Silom Road, Silom Sub-district, Bangrak District, Bangkok 10500
<b>Silom Branch</b>	: G Floor, 2nd Floor, 3rd Floor, 14th Floor and 19th Floor, Unit G 01, G 02, 201, 202, 203, 301, 1401 and 1901, 287 Liberty Square Building, Silom Road, Silom Sub-district, Bangrak District, Bangkok 10500
<b>Sukhumvit 23 Branch</b>	: B Floor, G Floor, and 2nd Floor, 2 Jusmin City Building, Soi Prasanmitr (Sukumvit 23), Sukumvit Road, Klongtoey (North) Sub-district, Wattana District, Bangkok 10110
<b>Pinklao Branch</b>	: 554/1 Major Cineplex Building (Pinklao), Bharom Ratcha Chonnane Road, Bangbumru Sub-district, Bangplad District, Bangkok 10700
<b>Ratchayotin Branch</b>	: 2nd to 4th Floor, 1839 Major Cineplex Building (Ratchayothin), Phahonyotin Road, Ladyao Sub-district, Jatujak District, Bangkok 10900
<b>Siam Paragon Branch</b>	: G, 08 B, 4th Floor, Unit 4-40, 991 Siam Paragon Building, Rama 1 Road, Patumwan Sub-district, Patumwan District, Bangkok 10330
<b>Chaengwattana Branch</b>	: 104/42 The Avenue Chaengwattana, Moo 1 Chaengwattana Road, Thungsonghong Sub-district, Lak-Si District, Bangkok 10210
<b>Ratchada Branch</b>	: G01, M01, 201 and 301 Floor, 99 The Esplanade, Rachadapisek Road, Din Daeng Sub-district, Din Daeng District, Bangkok 10400
<b>Chiangmai Branch</b>	: Unit LH01 (Lanna Hall), 2 Central Airport Plaza Chiangmai, Mahidol Road, Haiya Sub-district, Muang District, Chiangmai 50100
<b>Pattaya Branch</b>	: 1st to 3rd floor, 399/9 The Avenue Pattaya, Moo 10 Pattaya Klang Sai 2 Road, Nongprue Sub-district, Banglamung District, Choburi 20150
<b>Ekamai Branch</b>	: 1st to 3rd floor, 1239 Major Cineplex Building (Sukhumvit), Sukhumvit Road, Klongton (North) Sub-district, Wattana District, Bangkok 10110
<b>Registration Number:</b>	: 0107547000893
<b>Company's Homepage:</b>	: <a href="http://www.californiawowx.com">www.californiawowx.com</a>
<b>Telephone Number:</b>	: 0-2632-1255
<b>Facsimile Number:</b>	: 0-2632-1299
<b>No.of share/ Par value:</b>	: 723,952,899 Ordinary shares, Par value Baht 1. Registered capital Baht 723,952,899 and paid up capital Baht 550,369,767 (as at 31 December 2010)
<b>Share Registrar:</b>	: Thailand Securities Depository Company Limited 62 Stock Exchange of Thailand Building Rachadapisek Road, Klongtoey, Bangkok 10110 Tel. 0-2229-2800 Fax. 0-2359-1259
<b>Auditor</b>	: Mr.Kajornkiet Aroonpirodkul, C.P.A. No. 3445 and/or Mr. Pisit Thangtanagul, C.P.A. No. 4095 and/or Mrs.Nattaporn Phan-Udom, C.P.A. No. 3430 of PricewaterhouseCoopers ABAS Limited Bangkok City Tower 15th floor, 179/74-80 South Sathorn Road Yannawa, Sathorn, Bangkok 10120 Tel. 0-2344-1000 0-2286-9999 Fax. 0-2286-5050
<b>Business Consultant</b>	: Mr.Mark Steven Mastrov (Director of the Company) Please see details re "Connected Transactions"
<b>Shareholding in other companies over 10%</b>	: Nil