

# Prinsiri 10<sup>th</sup> Anniversary

"The Art of Family Living"

PRIN  
siri

รายงานประจำปี 2552 / Annual Report 2009



PRIN Happiness<sup>10</sup>  
siri 10 ปี ปริณสิริ ความสุขยกกำลัง 10

"10 ปี ปริณสิริ"  
.....อลังการแห่งความสุขที่ยกกำลังให้คุณเป็น 10



*"Keep Memory  
Everytime"*



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# "The Art of Family Living"



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## ๕๕ Award of Merit ๕๕



รางวัลแบบบ้านยอดเยี่ยมแห่งปีจาก PCBC ปี 2001 และ 2004  
ประเทศสหรัฐอเมริกา งานประกวดที่คัดสรรผลงานของสถาปนิก  
และบริษัทพัฒนาอสังหาริมทรัพย์ชั้นนำระดับโลก  
จากทุกประเทศในแถบมหาสมุทรแปซิฟิก

Award of Merit 2001 : Best Single Family Detached Home : under 1800 sf.  
Award of Merit 2001 : Best Single Family Detached Home : 2601 - 3000 sf.  
Award of Merit 2004 : Best Single Family Detached Home : 3300 - 3600 sf.



www.prinsiri.com

**ปริณสิริ...**...ลึกซึ้งกับความหมายของคำว่า...บ้าน คำตอบที่ดีที่สุด  
ที่หล่อหลอมเป็นแรงบันดาลใจเชื่อมสายใยแห่งความรักความผูกพัน  
ระหว่างคุณกับบ้าน...สู่ความสุขในการพักผ่อน ด้วยโครงการคุณภาพ  
กว่า 30 โครงการ ครอบคลุมพื้นที่กรุงเทพฯ และปริมณฑล ภายใต้  
ตราสินค้า **สิริทาวารา ปริณดา ปริณลักษณ์ บ้านปริณสิริ บ้านปริณ  
ดิ ยูโรเปียน ทาวน์ เดอะ นอร์เทิร์น ทาวน์ เดอะพัลซ์ เดอะคอมพลีท  
สมาร์ท คอนโด และเดอะไพรด์ พัทยา คอนโด**



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## Message from the Board of Directors

Dear shareholders,

During 2009, the global economy was still in a very volatile state due to the continued effect of the sub-prime crisis and the problems of the European economies as well as the fluctuating prices of major commodities, such as oil, gold and agricultural produces. For Thailand, politics continued to be a major risk factor, resulting from both the problems within the coalition government parties and the split in political ideologies among the people who are divided into groups and factions. As a result, the overall Thai economy in 2009 was in recession.

Fortunately, the government's extension of the real estate tax support measure to March 2010 was a positive factor driving the property sector, enabling it to weather the economic storms.

Despite the impact from the crises, our Company has still been firmly committed to the business and the set objectives. We maintain the determination to do business in a transparent and fair manner, under the principles of good corporate governance in order to be recognized as a company with good governance, and as a successful player in the real estate industry. We still conduct our business with prudence, focusing even more on product quality so as to maintain our market share and growth rate.

On the occasion of the 10<sup>th</sup> anniversary, we had a major rebranding exercise to communicate to consumers our firm commitment to developing our products to suit their changing demands and the usage styles which are changing with time. A new slogan "The Art of Family Living" has been adopted. The Company also underwent internal restructuring in order to adjust to the rapidly changing environment. A computerized work progress verification system has been employed. Key Performance Indicators (KPI) are now used to set targets for employees, check their progress and appraise their performance in a systematic way. We also reorganized the Company to streamline the chains of command and reduce steps in the work flow.

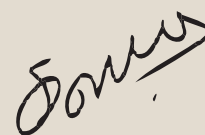
The Board of Directors would like to thank the shareholders, customers, trading partners, employees, financial institutions, the media, and securities analysts for their continued trust in, and support for, the Company. We also hereby reaffirm our pledge to continue developing our potential as we aim to take the leading position in the Thai real estate industry, doing business with transparency and accountability, and taking firm steps forward for maximum benefits of all the stakeholders and society.



Prof. Dr. Warapatr Thodhanakasem  
Chairman of the Board of Directors



Ms. Siriluck Kovitchindachai  
President of the Executive Board



Mr. Veera Srichanachaichok  
Managing Director



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# Care



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## Audit Committee Annual Report

### To The Shareholders

The Board of Audit Committee comprises of three independent directors:

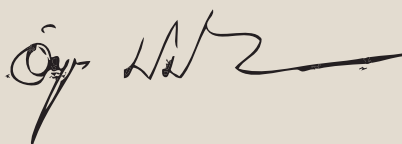
1. Professor Anchalee Pipatanasern	Chairman of Audit Committee
2. Professor Witaya Danthamrongkul	Director of the Audit Committee
3. Professor Monpaka Vongsa	Director of the Audit Committee

None of these directors are employees of Prinsiri Public company Limited.

In 2009, The Audit Committee Called for the meeting four times to consider and precede the following major activities.

- Reviewing the financial report and adequacy disclosure of data. The committee coordinate with auditor and responsible management who make quarter and annual financial reports. The Committee may suggest the auditor review or inspect any transaction or important issue as needed during the audit process.
- Reviewing the efficiency of the internal control and internal audit by co-reviewing with the auditor and internal auditors.
- Discussing and considering scope of inspection and inspection plan of the internal auditors and auditor to relate and support each other for financial auditing.
- Reviewing the financial statements during the year with the internal auditors and auditor prior to submission to the regulators.
- Proposing the Board of Directors to appoint the auditor of the Company for the year 2010 by nominating Mrs. Suwimon Kotthayakiat and/or Miss Somjintana Polhirunrat. Of DIA International Auditing and also considering the auditing remuneration for the approval from the Board
- Reviewing compliance with guidelines for listed companies on the Securities Exchange of Thailand and relevant laws and regulations.
- Reviewing and giving recommendations for revision of internal audit charter to the Board of Directors to be up-to-date and respond to the Company's environment and business operation.
- Other business as assigned by the Board of Directors and the Committee agreed to do so.

The Committee is of the view that the Company's financial statements for the fiscal year 2009 are correctly formulated according to the generally accepted accounting principles with adequate disclosure of information. The internal control system for efficiency assessment is sufficient. All transactions comply with laws and regulations. The management has committed to run the Company's business within good moral framework. The Internal Audit team reports its inspection directly to the Audit Committee and monitors recommended corrective action progressively and regularly.



Professor Anchalee Pipatanasern  
Chairman of Audit Committee



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*Splendid*



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## Report of the Board of Directors' responsibilities For Financial Statements

The Company board of Directors is responsible for financial statements of Prinsiri Public Company Limited including information in the annual report. The financial statements are prepared according to the generally accepted accounting principles. Appropriate accounting policy is care fully set and always has been implemented. The board does their best to consider consciously and prepare the most accurate report. Regarding transparent benefits of the shareholders and general investors, the board intends to disclose sufficient significant data on the notes to financial statements.

The board employs risk management to maintain appropriate and efficient internal control. This is to ensure that the accounting data is reasonable correct, complete and sufficient for assets maintenance and that there is significant prevention for any corruption or unusual action.

The Audit Committee reviewed the accounting policy and quality of the financial statements, internal control and internal inspection and risk management. The comments of the Committee is presented on the Audit Committee Annual Report, which is part of the Company's annual report.

The Company's financial statements were reviewed by the auditor, DIA International Auditing. For the purpose of transparently auditing, the Board supported all related information and documents. Therefore. The auditor could investigate and comment completely according to the accounting standards. On the statement from the auditor in the annual report, It is presented that the auditor had unqualified audit opinion.

The Board agrees that the overall internal control is satisfying and can assure that the financial statements of Prinsiri Public Company Limited for the year ended 31 December 2009 are reasonable as well as in compliance with generally accepted accounting principles and regulations related to the business.



(Professor Warapatr Thodhanakasem)  
Chairman of the Board



(Ms. Siriluck Kovitchindachai)  
Chief Executive Officer



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## Section 1 Executive Summary

### Overview of the business of the Company and its subsidiaries

Prinsiri Public Company Limited was incorporated as a limited company on February 23, 2000. As at the end of 2009, the Company had a registered capital of 1,005 MB and a paid-up capital of 1,005 MB (1,005 million ordinary shares with a par value of one Baht each). The Company is engaged in real estate development business, in the categories of housing estates and residential condominiums. In 2001 and 2004, the Company's housing design won Awards of Merit from the Pacific Coast Builders Conference (PCBC) held in the USA. The Company also received an honorable mention and a "Good" class award for "the Best Energy-saving Home Awards" in 2007 and 2008 respectively, from the Department of Alternative Energy Development and Efficiency, Ministry of Energy. The Company's real estate development business is based on the concept of "The Art of Family Living". In 2009, it generated 4,321.59 MB from sales of housing estates. It also had an extra earning of 555.65 MB from the sale of land which had not been developed. The Company now enjoys widespread recognition and trust from consumers as a leading real estate developer, with the brand name "Prinsiri". It holds shares in three subsidiaries, namely:

- (1) Prin Venture Company Limited, which is engaged in the business of real estate development in the category of housing estates. It is a joint venture between the Company and Univentures Public Company Limited. The business policies of the Company and this subsidiary are clearly separated. Land to be developed by this company is sought by Univentures Public Company Limited and is proposed for joint purchase decision. The product names are also different from those of the Company. The Company holds 51.00 percent of the paid-up registered capital.
- (2) Grow Yotha Group Company Limited, which is a subsidiary engaged in construction and construction material distribution businesses, supplying materials mostly to the Company and its contractors. In 2009, 70.21 and 29.79 percent of its revenues came from sales of construction materials and construction, respectively. The Company holds 99.99 percent of its paid-up registered capital.
- (3) CN SPR (Thailand) Company Limited, which is a subsidiary engaged in trading and leasing property, mostly in the category of land. It was incorporated on June 15, 2007 and did not generate any revenues from the business in 2009. The Company holds 99.97 percent of the paid-up registered capital.

The Company's products are in the following categories:

- (1) Housing Estates .
  - The Company's housing estate projects can be classified by product identity and target group and are developed under the following project names:
    - (1.1) Single detached house
      - (1.1.1) Single detached houses for upper market, under project names "Siritawara" and "Baan Prinsiri", with prices from 7.00 MB and over, and the target market being high income earners.
      - (1.1.2) Single detached houses for middle market, under project name "Prinyada", with prices about 3.00 – 7.00 MB and the target market being relatively high income earners.
    - (1.2) Semi detached houses under the project name " Prinyada Light", with the price range of 2.00 – 4.00 MB and the target market being medium income earners.
    - (1.3) Townhouses and home offices
      - (1.3.1) Three-story townhouses under the project names "Prinyaluck" and "Six Nature", with prices about 1.50 – 4.00 MB and the target market being medium income earners.
      - (1.3.2) Two-story townhouses under the project names "Prinyaluck Light" and "Baan Prin", with prices about 1.00 – 2.50 MB and the target market being medium income earners.
      - (1.3.3) Home offices under the project names "Prinyaluck and Prinyaluck Light", with prices about 2.00 – 4.00 MB and the target market being medium income earners



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- (2) Condominiums, which are classified by product identity and target group and developed under the following project names:
- (2.1) Low rise condominiums (not higher than eight stories):
- (2.1.1) Under the brand names "Bridge" and "The Pride", with a price range of 1.29 -3.60 MB and the target market being medium to relative high income earners.
- (2.1.2) Under the brand names "SMART Condo" with a price range of 0.69 -1.00 MB and the target market being medium income earners.
- (2.2) High rise condominiums, under the project name "The Complete", with a price range of 1.79 -12.00 MB and the target market being medium to relative high income earners.

The Company's business objectives are to be the leader among Thai real estate developers and for the brand "Prinsiri" to be recognized and trusted by consumers. The Company aims to continue its expansion of the business which will concentrate on development of housing estates and condominiums. The target is to procure land for development of 8-12 projects a year. Efforts will be intensified to increase public awareness of the brand "Prinsiri".

As at December 31, 2009, the Company and its subsidiaries had 23 projects available for sale, with a total value of 15,332.83 MB. The value of property sold in the year totaled approximately 2,055.58 MB. The revenue from real estate selling was recognized at 4,321.59 MB. For 2010, land has been purchased for four projects of which construction is underway and sales will begin during the year, with a total value of approximately 1,400.00 MB. The Company aims to buy another five to ten plots of land for project expansion in 2010.

## Summary of Financial positions and Operating Results

(Unit: MB)

Details	2007	2008	2009
Total revenues	2,611.24	4,372.88	4,917.46
Costs of sales	1,989.93	3,407.74	3,888.14
Net profit	77.98	315.56	483.89
Total assets	5,848.52	7,144.11	5,818.07
Total liabilities	3,620.93	4,615.91	2,810.44
Total shareholders' equity	2,227.58	2,528.19	3,007.62
Gross Profit Margin (%)	23.03	23.93	22.74
Net Profit margin (%)	2.99	7.22	9.79
Book value per Share (Baht per share)	2.49	2.51	2.99
Earning per share (Baht per share)	0.09	0.33	0.48

In 2009, the Company made net profit of 483.89.30 MB, a marked increase of 53.54 percent from 2008. The increase was attributed to the increase in revenue and control of sales costs and administrative expenses which was more effective than in 2008. The earning per share rose from 0.33.Baht in 2008 to 0.48 Baht in 2009.

The Debt/Equity ratio in 2009 dropped significantly to 0.93. The Company aims to keep the ratio not exceeding 1.2 in order to avoid recurrence of debt problems experienced in the past and also to prevent debt-related risks. Total assets of the Company and the subsidiaries at the end of 2007, 2008 and 2009 stood at 5,848.52 MB, 7,144.1 MB and 5,818.07 MB, respectively. As at December 31, 2009, current and non-current assets of the Company and the subsidiaries totaled 4,692.02 MB and 1,126.04 MB, or 80.64 and 19.36 percent of total assets, respectively. Most of the Company's assets were inventories. As at December 31, 2009, inventories of the Company and the subsidiaries totaled 4,124.27 MB or 70.93 percent of total assets.





## Major risk factors

### (1) Risks from fluctuation of construction cost

Construction materials are major raw materials for project development. Their prices, particularly those related to petroleum, vary with the rising prices of oil. Other material prices rose due to higher transportation costs. The Company cannot make sudden price increases; even if prices can be changed, the number of units sold may be affected. Therefore, the volatility of construction material prices could affect the cost structure and thus profitability of the Company. However, for materials provided by contractors, the contract value already includes the cost of construction and such materials. For materials procured by the Company, since the Company has high bargaining power in its negotiation with suppliers, it can still keep the costs of materials at appropriate levels by planning construction and estimating the quantity of each material for the whole project and placing orders according to the estimates through its subsidiaries.

### (2) Risks from building pre-built houses

The Company and its subsidiaries have a policy to develop mostly pre-built houses for sale before offering them to customers. The policy also applies to the development of condominiums of which ownership will be transferred after the construction of the whole project is completed. As the Company does not receive money from customers to finance the construction, and as there may be factors affecting customers' buying decisions, it may be exposed to risks of not being able to sell completed houses or slow sales, which will lead to high inventories and affect its liquidity as well as profitability.

However, the Company has a policy to minimize the impact by conducting consumers' behavior before launching projects and planning construction to ensure it is in line with sales volumes. Projects are developed in phases and there are both pre-built and semi pre-built houses in each project offered for sale. Sales promotion campaigns are also launched on a continual basis. The Company is therefore confident that the impact can be reduced to a certain extent.

(Investors are advised to study the details in Section 2 before making a decision to invest in the securities)



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## 2. Nature of Business

### 2.1 Background and major development

#### 2.1.1 Background

Prinsiri Public Company Limited was incorporated on February 23, 2000, with an initial registered capital of 5 MB to operate real estate development business in the categories of housing estates and condominiums. In 2001 and 2004, the Company won Awards of Merit from the Pacific Coast Builders Conference (PCBC) held in the USA. The Company also received an honorable mention and a "Good" class award for "the Best Energy-saving Home Awards" in 2007 and 2008, respectively, from the Department of Alternative Energy Development and Efficiency, Ministry of Energy. As at December 31, 2009, the Company had a registered capital of 1,005 MB and paid-up capital of 1,005 MB.

#### 2.1.2 Major developments

- 2004 • The Company was converted from a private company limited to a public company limited as preparation for offering of ordinary shares for sale to the public and for listing on the Stock Exchange of Thailand.
- 2005 • The Company invested in Gro Yotha Group Company Limited, which operated construction business and sale of construction materials, holding 99.99 % of the shares.
- The Company entered into a joint venture with Univenture Public Company Limited in setting up Prin Venture Company Limited to operate real estate development business, holding 51.00 % of the shares.
- The Company offered for sale of 155 million new ordinary shares with a par value of one Baht per share to the public at 2.80 Baht per share, thus increasing the Company's paid-up registered capital to 670 MB.
- The Company was listed on the Stock Exchange of Thailand, with its shares starting to be traded on the main board on November 7, 2005.
- 2006 • The Company launched its first condominium project under the name "The Pulse Condominium" on Soi Ladprao 44.
- The Company and Univenture Public Company Limited increased investment in Prin Venture Company Limited twice to expand the business, resulting in Prin Venture Company having a registered, paid-up capital of 76.25 MB, with the Company retaining its shareholding at 51.00 %.
- The Company granted loans to Prin Venture Public Company Limited in proportion with its shareholding for use in business operation. As of December 31, 2006, the amount of loans which the Company extended to Prin Venture Company stood at 248.28 MB.
- 2007 • The Company entered the business of development and sale of property in the category of condominiums, creating more brands - "The Complete" and "Smart Condo".
- The Company started the development and sale of property in the categories of two-story detached houses and townhouses by creating more brands called "Prinyada Light" and "Prinyaluck Light".
- The Company offered 335 million new ordinary shares to existing shareholders with a par value of one Baht each and a selling price of 1.50 Baht per share at a ratio of two existing shares to one new share, resulting in its registered capital rising to 1,005 MB.
- The Company established CN SPR (Thailand) Company Limited to operate property lease business and to trade property pending development, with the Company holding 99.99 % of the shares.
- The Company granted loans to Prin Venture Company in proportion with the shareholding for use in its business operations. As of December 31, 2007, the Company's loans extended to Prin Venture totaled 255.00 MB.
- The Company granted loans to CN SPR (Thailand) Company Limited for use in its business operations. As of December 31, 2007, the Company's total loans extended to CN SPR amounted to 56.00 MB.



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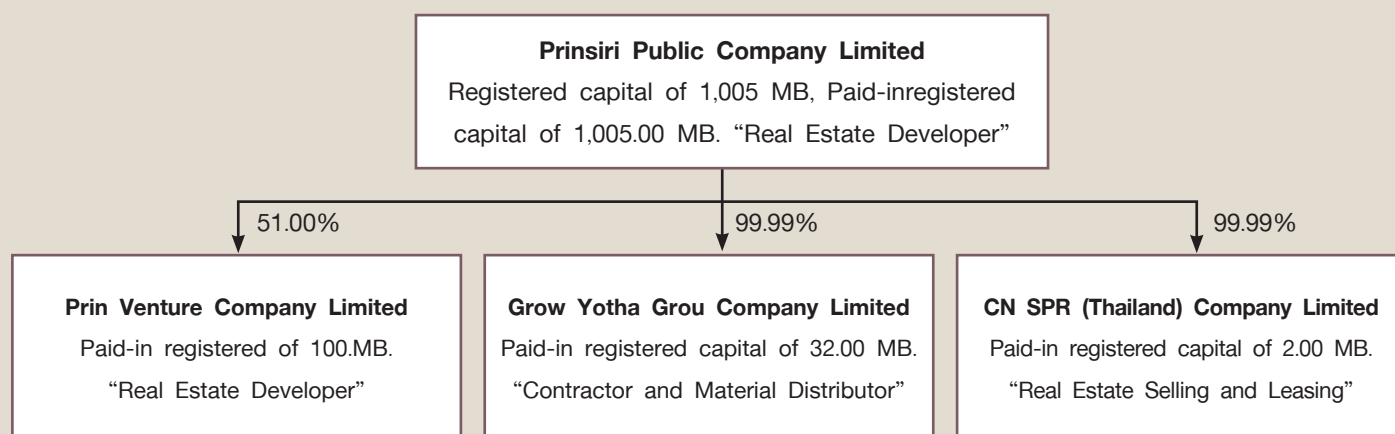
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- 2008 • Development and sale of property in the categories of two-story detached houses and townhouses under more brands called - "Baan Prinsiri" and "Baan Prin"
- Development and sale of property in the category of condominiums under a new brand "The Pride Pattaya"
- 2009 • Rebranding by adopting a new company logo and celebrating its 10th anniversary under the theme "Prinsiri Happiness to the Tenth Power" and changing the slogan to "The Art of Family Living"
- Development and sale of property in the category of 2-3 story town homes under the brand "Six Nature"
- Change of the Chairman of the Board of Directors from Mr. Mongkol Pao-in to Professor Warapatr Thodhanakasem

## 2.2 Overview of the business of the Company and its subsidiaries

Prinsiri Public Company Limited, the Company, and Prin Venture, a subsidiary, are engaged in real estate development business in the categories of housing estates and condominiums with the Company being the project developer and owner. In developing real estates, emphasis is placed on "The Art of Family Living" concept. 87.88 % of the Company's total revenue in 2009 came from the housing estate business. At present, the Company is a real estate developer well recognized and trusted by consumers, operating under the brand name of "Prinsiri". It is well known for good project locations, good quality, reasonable prices and good after-sale services. In order to meet consumers needs, the Company has continuously developed and improved its products in terms of project designs, project plans, house designs, usability, project locations, selection of suitable construction and decoration materials to suit the environment of each project. Employment of modern construction technologies such as the tunnel formwork and pre-fabrication has enhanced its construction efficiency, reducing the construction time and allowing better quality control to better satisfy consumers' requirements.

### Structure of Shareholding of Prinsiri Public Company Limited As at December 31, 2009



Prin Venture Company Limited, which is engaged in the business of real estate development in the category of housing estates, is a joint venture between the Company and Univentures Public Company Limited, which has no connections with the Company, with shareholdings of 51% and 49%, respectively. The business policies of the Company and Prin Venture are clearly separated, although the product types are the same. Land to be developed by the Company is procured by the Company itself at its own discretion; land to be developed by Prin Venture is sought by Univentures Public Company Limited and is proposed for joint purchase decision. The Company develops projects, executes construction and handles sales for Prin Venture and is compensated for the tasks. Also the names of the products of the Company and those of Prin Venture are different.



Grow Yotha Group Company Limited is engaged in construction and distribution of construction materials, such as cement, paint, steel and wood, providing service and supplying materials mostly to the Company and its contractors. In 2009, 70.21 and 29.79 % of its revenues came from sales of construction materials and construction, respectively.

CN SPR (Thailand) Company Limited was incorporated in June 2007 to be engaged in trading and leasing property held for development, e.g. purchases of land and property for trading and investment in order to seek profit from the appreciation of their values, short-term and long-term leases and generation of revenues from provision of service or management of hotel, resorts and residences. It is meant to be a company generating revenues which are not from real estate development for sale (e.g., rent) for the Company. As of 2009, it had not generated any revenues from the business.

## 2.3 Revenue Structure of the Company

Revenue structure of the Company and subsidiaries

Revenue	Operator	2007		2008		2009	
		Consolidated financial statement		Consolidated financial statement		Consolidated financial statement	
		MB	%	MB	%	MB	%
Detached house – upper market	Prinsiri	121.22	4.64	123.50	2.82	85.50	1.73
Detached house – middle market/ Semi detached house	Prinsiri/Prin Venture	1,321.88	50.62	1,238.29	28.32	1,280.62	26.04
Townhouse/Home Office	Prinsiri/Prin Venture	1,080.74	41.39	2,107.52	48.20	1,246.53	25.34
Condominium	Prinsiri	-	-	2.29	0.05	1,708.94	34.75
Land	Prinsiri	-	-	827	18.91	555.63	11.29
Total revenue from property sales	Prinsiri/Prin Venture	2,523.84	96.65	4,298.60	98.30	4,877.22	99.18
Revenue from goods sales	Grow Yotha Group	61.62	2.36	30.26	0.69	20.58	0.41
Other revenues	Company/Subsidiaries	25.78	0.99	43.95	1.00	19.63	0.4
Total revenue		2,611.24	100.00	4,372.81	100.00	4,917.43	100.00

Notes: Sales prices of detached houses – upper market from 7 MB

Sales prices of detached house – middle market from 3 to 7 MB

Most of the revenues of the Company and its subsidiaries were from property sales. In 2007, 2008, and

2009, the Company and its subsidiaries had revenues from property sales in proportion to the total revenues at 96.65 %, 98.39 % and 99.18 %, respectively. In 2007, the largest portion of the Company's revenue was from sales of single detached houses and semi-detached houses, representing 50.62 % of the total revenue, and in 2008, the largest portion was from the sales of townhouses and home offices, representing 48.24 % of the total revenue. For 2009, the revenues from the sales of single detached houses and town homes represented 26.04 % and 25.34 % of the total revenue, respectively.

In 2007, the Company did not have any revenue from sales of condominiums because the five condominium projects were still under construction. In 2008, the Company had revenues from sales of condominiums under the Pulse Project on Soi Ladprao 44, amounting to 2.29 MB, or 0.05 % of the 2008 total revenue. For 2009, the Company's revenue from condominium sales rose to 1,709 MB, or 34.75 %. This year, the revenue from condominium sales was higher than the revenue from sales of single detached houses, semi-detached houses and town homes because the Company received sales revenues from The Complete Ratchaprarob project and The Pride Pattaya project, which had combined revenue of over 1,700 MB.



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The Company and its subsidiaries also had revenues from sales of construction materials such as cements, paints, steel and wood. In 2007, 2008, and 2009, the revenues from such sales represented 2.36 %, 0.59 %, and 0.41 % of the total revenues, respectively.

In 2009, the Company had extra revenues from sales of land which had no development plan in the near term, amounting to 555.63 MB or 11.29 % of the total revenue. As for other revenues, most of them were deposits from customers who failed to enter into contracts with the Company as agreed, installments paid by customers who later lost contact with the Company, and fines for delays in construction from the contractors.

## 2.4 The Company's business goals

With the firm focus on being a leader in real estate development in Thailand and the recognition and trust from consumers under "Prinsiri" brand, the Company places emphasis on the selection of land in prime locations, the development and improvement of projects, house designs, and the quality of construction work, including the selection of construction materials and equipment with quality suitable for each project as well as focusing on after-sale services. It has a goal to expand future projects, while focusing on projects in the categories of housing estates and residential condominiums in order to cover all the target consumer groups.

On the market front, the Company has a goal to enhance awareness in "Prinsiri" brand, with a focus on awareness of consumers of houses built by Prinsiri which truly connote the meaning of "Baan" (home) - the center of the family and warmth under the concept of "The Art of Family Living". Campaigns along this line were launched through various media such as television, radio, billboards, and brochures, to entice consumers and create demand for the Company's products.







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### 3. Products

#### 3.1 Product characteristics

##### Prinsiri Public Company Limited ("the Company")

The Company is engaged in real estate development business in the categories of housing estates (pre-built houses) and residential condominiums for sale. Most of the project locations selected are in Bangkok and surrounding areas near communities, with complete public utilities (electricity, water supply, communication and transportation). The brand "Prinsiri" is used for all product types under the concept of "The Art of Family Living".

Company logo



The Company attaches great importance to product quality, taking meticulous care of all the details and material selection and quality control at every stage of production. Products are constantly developed to best suit customers' requirements.

In selling the products, customers are required to make reservation, down and contract signing payments in the total amount of 10-30% of the sales price. Down payments are made in 3-12 months, depending on the construction time and the agreement between the customer and the Company. The schedule for delivery of the house and ownership transfer is stipulated on the contract signing date and in the purchase contract, which, of course, depends on the customer's readiness.

Details of each type of products are as follows:

##### 3.1.1 Housing estate

The Company's housing estates with land for sale are horizontal development projects. Products in this type are houses or buildings not more than 4 stories high. The house and building style and project design of individual projects vary with the location and customers' needs. However, each project has complete infrastructure, facilities and security, such as a clubhouse, a swimming pool, a recreation park and security systems. The Company's housing estate projects can also be classified by product identity and target group and are developed under the following project names.

- (1) Single detached house
  - (1.1) Single detached house for upper market



Logo of the Project :  
Project Name : Siritawara  
Price Range : 15.0 MB and over  
Target Market : High income customers





(1.2) Single detached house for middle market

Logo of the Project :	
Project Name :	Prinyada
Price Range :	3.0 – 7.0 MB
Target Market :	Relatively high income customers

(1.3) Single detached house for middle market and over

Logo of the Project :	
Project Name :	Baan Prinsiri
Price Range :	5.00 – 10.00 MB
Target Market :	Medium to relatively high income customers

(2) Semi detached house

Logo of the Project :	
Project Name :	Prinyada Light
Price Range :	2.00 – 4.00 MB
Target Market :	Medium income customers

(3) Town house and home office

(3.1) Three-story town house

Logo of the Project :	
Project Name :	Prinyaluck and Six Nature
Price Range :	2.00 – 3.00 MB
Target Market :	Medium income customers

(3.2) Two-story town house



Logo of the Project	:	
Project Name	:	Prinyaluck Light , Baan Prin And City Sense
Price Range	:	1.50 – 4.8 MB
Target Market	:	Medium income customers

(3.3) Home Office

Logo of the Project :



Project Name	:	Prinyaluck and Prinyaluck Light
Price Range	:	2.00 – 4.00 MB
Target Market	:	Medium income customers


### 3.1.2 Condominium

The Company's condominium projects are vertical development for sale. Products of this category are condominium buildings at least eight-story high. The building design and project design of each project are unique, depending on the location and customers' needs. Each project under the Company's operation has complete common infrastructure and facilities and safety such as a swimming pool with a beautiful garden, elevators, digital satellite television, and security systems.


Condominium products are developed under three brands, categorized by market positioning and distinguished characteristics, for easy remembering. The PULSE and SMART are used for low rise condominiums (maximum height of eight-story) while the COMPLETE is for high rise condominiums (more than eight-story high).



## Low Rise Condominium

Logo of the Project	:	
Project Name	:	Bridge
Price Range	:	Starting from 1.80 MB
Target Market	:	Medium to relatively high income

Logo of the Project	:	
Project Name	:	Smart Condo
Price Range	:	0.69 - 1.00 MB
Target Market	:	Medium income customers


Logo of the Project	:	
Project Name	:	The Pride Pattaya
Price Range	:	2.00 - 5.00 MB
Target Market	:	Medium to high income

## High Rise Condominium

Logo of the Project	:	
Project Name	:	The Complete
Price Range	:	1.79 - 12.00 MB
Target Market	:	Medium to relatively high income

As at December 31, 2009, the Company and Prin Venture had the following development projects:

### The Northern Prime, Rangsit

Logo of the Project	:	
Project Name	:	The Northern Prime, Rangsit
Price Range	:	3-7 MB
Target Market	:	Medium to high income

### The Northern Nova, Rangsit


Logo of the Project	:	
Project Name	:	The Northern Nova, Rangsit
Price Range	:	1.5-3 MB
Target Market	:	Medium income

Table showing details of projects available for sale as at December 31, 2009

Unit: MB (except the numbers of units)

Project/ Price per units	Type of Project/ area(rai)	Location	Total		Sold			Transferred			Product to be sold			Project investment value	Progress	
			Units	Project value	Units	Value (M.B)	%of project value	Units	Value (M.B)	%of project value	Units	Value (M.B)	%of project value		Project Investment value	% of complete
SDH																
Prinsiri Nawamin ( 4.30-17.80 m.b)	SDH 35-0-88.30 rai	Nawamin road	88	726.32	86	697.32	96.01	86	697.32	96.01	2	29.00	3.99	306.67	306.67	100.00
Siritawara ( 13.00-40.00 m.b)	SDH 30-2-44 rai	Praditmanoon road	67	1,151.70	50	887.16	77.00	49	867.16	75.29	17	264.54	23.00	454.04	445.84	98.19
Prinyada Chamchan ( 4.30-9.90 m.b)	SDH 9-1-66 rai	Soi Chamchan	27	174.67	24	148.64	85.10	24	148.64	85.10	3	26.03	14.90	70.21	70.21	100.00
Prinyada Taparak 1 ( 3.50-7.00 m.b)	SDH 22-1-16 rai	Bangtamru road	83	360.40	79	339.21	94.12	79	339.21	94.12	4	21.19	5.87	410.52	41.05	100.00
Prinyada Kanchanapisak ( 5.99-10.20 m.b)	SDH 36-1-83.20 rai	Bangwak road	87	589.62	85	575.52	97.60	83	563.27	95.53	2	14.10	2.39	348.75	348.75	100.00
Prinyadalight rama 5 ( 2.99-5.50 m.b)	SDH 27-3-40.10 rai	Ratchaphruk road	156	611.35	131	484.02	79.17	129	476.58	77.95	25	127.33	20.82	498.81	469.52	94.13



Project/ Price per units	Type of Project/ area(rai)	Location	Total		Sold			Transferred			Product to be sold			Project investment value	Progress	
			Units	Project value	Units	Value (M.B)	%of project value	Units	Value (M.B)	%of project value	Units	Value (M.B)	%of project value		Project Investment value	% of complete
Prinyada Bangbon (5.57 – 10.00 m.b)	SDH 44-2-74.80 rai	Kanchanapisak road	188	1,192.55	75	523.24	43.87	56	393.04	32.95	113	669.31	56.13	871.466	605.42	69.47
Prinyada Samakkee ( 3.99-7.5 m.b)	SDH 24-2-20 ไร่	Samakkee road	121	618.10	99	498.88	80.71	88	439.45	71.09	22	119.22	19.28	423.67	400.24	94.47
Total SDH			817	5,424.71	629	4153.98	76.57	594	3,924.67	72.34	188	1,270.72	23.42	3,384.13	2,687.70	79.42
Prinyaluck rama 5 ( 1.55-3.50 m.b)	TH 2 Story 38-1-15.60 rai	Ratchaphruk road	414	940.56	348	779.22	82.84	332	738.67	78.53	66	161.34	17.15	766.64	723.57	94.38
Prinyaluck Samakee ( 2.09-3.59 m.b)	TH 2 Story 17-2-52 rai	Samakkee road	207	559.26	205	552.48	98.78	205	552.48	98.78	2	6.78	1.21	402.92	389.33	96.63
Baanprin watcharaphon (2.75 – 3.59 m.b)	TH 2 Story 8-3-27.00 rai	Watcharaphon road	115	285.40	86	210.69	73.82	70	165.97	58.15	29	74.71	26.17	207.73	200.72	96.63
Baanprin Watcharaphon (3.85 – 6.00 m.b)	Shop House 2-2-7.00 rai	Watcharaphon road	30	125.24	16	68.08	54.35	12	49.28	39.34	14	57.16	45.64	66.73	59.06	88.51
Six Nature Kallaphruruk	TH 3 Story 30-1-6.20 rai	Kallaphruruk road	353	1,412.00	52	177.20	12.54	0	0.00	0.00	301	1,234.80	87.45	771.52	341.18	44.21
Six Nature Watcharaphon C1 (TH) (2.69 mb.)	TH 3 Story 6-2-27.0 rai	Watcharaphon road	88	308.00	1	3.35	1.08	0	0.00	0.00	87	304.65	98.91	177.36	54.94	30.98



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Project/ Price per units	Type of Project/ area(rai)	Location	Total		Sold			Transferred			Product to be sold			Project investment value	Progress	
			Units	Project value	Units	Value (M.B)	%of project value	Units	Value (M.B)	%of project value	Units	Value (M.B)	%of project value		Project Investment value	% of complete
Six Nature Watcharaphon Zone C	Shop House 3-3-18.00 rai	Watcharaphon road	46	220.80	17	91.43	41.40	0	0.00	0.00	29	129.37	58.59	101.79	34.10	33.51
Total TH			1,253	3,851.26	725	1,882.45	48.87	619	1,506.40	39.11	528	1,968.81	51.12	2,494.69	1,802.90	72.26
The Pluse Ladpral 44 ( 1.29-3.80 m.b)	Condo 1-2-0 rai	Ladpral road	202	324.64	201	320.85	98.83	201	320.85	98.83	1	3.79	1.17	163.72	163.72	100.00
The Complete ratchaprurup ( 1.79-12.08 m.b)	Condo 3-3-0 rai	Ratchaprurub road	555	1,666.61	546	1,602.39	96.14	545	1,598.13	95.83	9	64.21	3.85	1,340.98	1,340.98	100.00
The Complete Narathiwat (2.38-6.97 m.b)	Condo 1-0-80 rai	Narathiwat road	187	764.73	97	375.18	49.06	0	0.00	0.00	90	389.54	50.93	643.25	474.42	73.75
Bridge Phahon 37 ( 1.44-3.40 m.b)	Condo 3-3-0 rai	Phahonyothin road	264	541.90	149	311.05	57.39	0	0.00	0.00	115	230.30	42.49	481.02	408.06	84.83
Smart Condo rama 2 ( 0.69-1.10 m.b)	Condo 17-1-63.70 rai	Rama 2 road	2,062	1,858.22	586	502.83	27.06	0	0.00	0.00	1,476	1,355.39	72.94	1,237.57	649.78	52.50
The Pride Pattaya (1.80-5.0 m.b)	Condo 1-17.00 rai	Pattaya sai 2 road	79	281.80	42	119.18	42.29	39	110.80	39.31	37	162.62	57.70	210.00	210.00	100.00
Total condo			3,349	5,437.90	1,621	3,231.48	59.42	785	2,029.78	37.32	1,728	2,205.85	40.56	4,076.54	3,246.96	79.64



Project/ Price per units	Type of Project/ area(rai)	Location	Total		Sold			Transferred			Product to be sold			Project investment value	Progress	
			Units	Project value	Units	Value (M.B)	%of project value	Units	Value (M.B)	%of project value	Units	Value (M.B)	%of project value		Project Investment value	% of complete
Total Prinsiri			5,419	14,713.86	2,975	9,267.91	62.98	1,198	7,460.85	50.70	2,444	5,445.38	37.00	9,955.36	7,737.56	77.72
Northern Premier 4 ( 3.40 – 4.97 m.b)	SDH	Vibhavadee rangsit road	20	104.86	2	12.73	12.13	0	0.00	0.00	18	92.13	87.86	81.23	25.12	30.92
Total SDH			20	104.86	2	12.73	12.13	0	0.00	0.00	18	92.13	87.86	81.23	25.12	30.92
Northern Nova (phase 2) (1.50 – 2.50 m.b)	TH 2 Story 23-2-27 rai	Vibhavadee rangsit road	294	514.56	292	509.51	99.02	290	505.23	98.18	2	5.05	.01	306.64	306.64	100.00
Total TH			294	514.56	292	509.51	99.02	290	505.23	98.18	2	5.05	.01	306.64	306.64	100.00
Total Prinventure			314	619.42	294	522.24	84.31	290	505.23	81.56	20	97.18	15.68	387.87	331.79	85.54
Grandtotal (Prinsiri and Prinventure)			5,733	15,333.28	3,269	9,790.15	63.84	1,488	7,966.08	51.95	2,464	5,542.56	36.14	10,343.22	8069.35	78.01

Note : \* The project investment value of the Company and Prin Venture does not include the cost of land to be developed.


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## 3.2 Marketing and competition situations

### 3.2.1 Marketing

#### **Competition Strategy**

Based on the Company's business strategy of product and service differentiation, with emphasis on building consumers confidence in the Company and its products, the competition strategies employed are as follows:

(1) Products

The Company attaches considerable importance to the product strategy, which focuses on differentiating the products under the slogan "The Art of Family Living" to cater to various types of target customers who have different requirement (e. g. project locations, project design, house design and usable area). Products are separated by project names to allow consumers to choose residences which are directly responsive to their requirements, in order to maximize their satisfaction. The project work is meticulously controlled at all stages, from selection of the project site where land is to be bought, house designing, project and landscape designing, to material quality selection and construction, including continual product development. The Company's products therefore enjoy customers' acceptance and confidence as the houses are beautifully designed, with appropriate usability and the project's green and pleasant environment.

(2) Pricing

The Company's policy is to price the products at levels which are in line with market prices and competitive, comparable to other projects in the same or nearby locations. Relevant factors, such as the product quality and project costs (e.g., land, design, construction and marketing) are also taken into consideration. The emphasis is on giving higher value for money than products offered by other companies (for example, furnished houses ready for moving in).

(3) Marketing promotion

Another strategy to which the Company attaches importance is marketing promotion. It is used in competition, mainly to create brand awareness, to induce demand for the products, to remind consumers of the products and to build confidence in the products as well as to enhance the Company's good image. Marketing tools mainly used are advertising, sales by salespersons, sales promotion, direct marketing and indirect marketing.

In 2009, the Company conducted advertising/public relations activities through various channels to reach target customers. Details are as follows:

Above-the-line strategy

- Advertisement through magazines and newspapers
- Sending SMS with information and details of new projects to customers' mobile phones

Below-the-line strategy

- Advertisement on billboards on selected main roads around the project sites to induce target customers to visit the projects
- Advertisement on the website [www.prinsiri.com](http://www.prinsiri.com)
- Organizing activities for customers living in the project, and inviting target customers to join the program in order to build up relationships and to create a good image for the Company



- Organizing booths at events such as the House and Condo Shows, department stores and offices, in order to publicize the Company's projects

In 2009, the Company launched 2 new brands "City Sense" for two-story and "Six Nature" for three-story town houses. Public relations activities were conducted continuously so that the brand can be easily remembered.

(4) Product costs

The Company focuses on keeping the costs of project development at appropriate levels in order to maintain gross profit margins and to keep its prices competitive. This cost control starts from selection of land and buying land at appropriate prices, research and development regarding selection of construction materials and fixtures and fittings which are of good quality and standard with costs within the specified limits, development of construction techniques and technologies aimed at controlling construction costs and increasing efficiency and raising product standards.

(5) After-sales services

To build up customers' confidence in the Company's products and to help them in making their buying decision, the Company offers the following after-sales services to customers who have bought its products:

- One-year guarantee of the quality of the house, from the date of ownership transfer for defects of the construction, materials and fixtures and fittings
- Provision of one-year theft insurance

## Characteristics of customers and target customer groups

Based on the types of products offered by the Company (housing estates and condominiums), its customers are those looking for a new residence. Different customers require different types of residences; e.g., detached houses, semi-detached houses, town houses, home offices and residential condominiums, depending on their own preference, condition and limitations. Such customers are treated as end users.

In order to enable customers to select a residence which is most responsive to their requirements, the Company offers diverse products to maximize their satisfaction and to cater to their specific requirements.

The diverse customers are grouped by their income levels as follows:

- (1) **High income group** Products which the Company aims to sell to this group are detached houses for upper market, under the project name "Siritawara"
- (2) **Relatively high income group** Products which the Company aims to sell to this group are detached houses for middle market under the project name "Prinyada" and residential condominiums under the project names "Bridge", "The pride" and "The Complete".
- (3) **Medium income group** Products which the Company aims to sell to this group are semidetached houses, under the project name "Prinyada Light", town houses and home offices under the project name "Prinyaluck", "Prinyaluck Light" and "Six Nature" and residential condominiums under the project names "Bridge", "The Pride", "The Complete" and "Smart Condo".

## Sales and distribution channels

The Company sells its products through its direct channel and through salespersons stationed at sales offices at project sites. In addition, the Company also dispatches salespersons to booths at events on an occasional basis.



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### 3.2.2 Industry and competition situations

#### 3.2.2.1 Industry situation

During 2009, Thailand faced severe political turmoil, and was hard hit by the April protest incident and global recession. The property sector was also affected and saw a recession. As at the end of 2009, 1,183 residential projects were still offered for sale. However, if only projects with more than 20 units for sale are counted, there were 843. During the year, 283 new projects were launched, with 57,604 units, a total value of 182,944 MB and an average sales price of 3.31 MB. The number of units for sale launched was 10,187 less than that launched in 2008, or a drop of 15 % from the total units for sale in 2008 (67,791 units). Some new projects were halted and the number of projects launched dropped by 9 %. Most of the projects were operated by major developers with each having a large number of units. Condominium projects accounted for 42 % of units for sale launched in 2009. Most of the products launched were of moderate prices with the launching prices in the range of 1-5 MB. Such products were still in high demand (partly for speculative purposes, particularly condominiums located in the heart of town and conveniently accessible by a train system).

#### Development Projects launched in 2009 (by units)

ระดับ ราคา Price Range (mil.baht)	บ้านเดี่ยว Detached	บ้านแฝด Duplex	ทาวน์เฮาส์ Townhouse	อาคาร พาณิชย์ Shophouse	อาคารชุด Condo	ที่ดิน จัดสรร Land	รวมที่อยู่ อาศัย Total Res.
0.501-1.00		62	4,326		3,379		7,767
1.01-2.00	241	372	10,195	214	9,482		20,504
2.01-3.00	2,576	1,907	2,141		3,282		9,910
3.01-5.00	4,924	324	2,267	355	4,031	4	11,901
5.01-10.00	3,067		150	124	2,766		6,107
10.00-20.00	228			13	755		996
>20.00	121				203		479
Overall	11,157	2,665	19,079	706	23,993	4	57,604
Proportion	19%	5%	33%	1%	42%	0%	100%

Source: Agency for Real Estate Affairs (AREA)

The values of new projects launched in 2009 totaled 182,944 MB, a drop from 184,245 MB in 2008 by only 1 %, resulting in a higher average price per unit. The average sales price in 2008 was 2.72 MB and that of 2009 was 3.12 MB, mainly because projects were developed closer to the city, with easy commuting facilities and prices affordable by average consumers. The development projects in 2009 were therefore mainly in the price range of 3-5 MB. As the economy was still in recession in the first half of the year and recovery began in the second half, sales in the second half of the year were obviously better than in the first half.

## Development Projects launched in 2009 (by project value)

ระดับ ราคา Price Range (mil.baht)	บ้านเดี่ยว Detached	บ้านแฝด Duplex	ทาวน์เฮาส์ Townhouse	อาคาร พาณิชย์ Shophouse	อาคารชุด Condo	ที่ดิน จัดสรร Land	รวมที่อยู่ อาศัย Total Res.
0.501-1.00		60	3,638		2,794		6,493
1.01-2.00	418	556	14,910	361	13,137		29,383
2.01-3.00	6,906	4,927	5,468		8,368		25,679
3.01-5.00	19,148	1,128	8,000	1,353	16,089	10	45,718
5.01-10.00	21,069		818	947	19,689		42,515
10.00-20.00	3,440			182	10,252		13,873
>20.00	3,051				16,283		19,334
Overall	54,031	6,671	32,833	2,843	86,606	10	182,994
Proportion	30%	4%	18%	2%	47%	0%	100%

**Source:** Agency for Real Estate Affairs (AREA)

In 2009, in terms of units sold, condominiums ranked first, with 17,255 units sold, or 62 % of the total units sold in the year, followed by town houses, as 6,123 units were sold, accounting for 22 % of the total units sold.

## Units Sold

ระดับ ราคา Price Range (mil.baht)	บ้านเดี่ยว Detached	บ้านแฝด Duplex	ทาวน์เฮาส์ Townhouse	อาคาร พาณิชย์ Shophouse	อาคารชุด Condo	ที่ดิน จัดสรร Land	รวมที่อยู่ อาศัย Total Res.
0.501-1.00		3	1,055		2,337		3,395
1.01-2.00	77	68	3,662	87	7,403		11,297
2.01-3.00	893	466	506		1,905		3,771
3.01-5.00	1,547	158	810	185	3,180	1	5,880
5.01-10.00	584		90	101	1,867		2,651
10.00-20.00	63			11	505		579
>20.00	11				49		60
Overall	3,175	695	6,123	384	17,255	1	27,633
Proportion	11%	3%	22%	1%	62%	0%	100%

**Source:** Agency for Real Estate Affairs (AREA)

New projects, with a combined value of 100,078 MB, were launched by public companies in 2009, or approximately 55 % of the total value of new projects launched. The figures indicate that public companies launched more projects and developed projects with more units. 32,669 units of the new projects launched in 2009 were sold during the year, representing 55 % of the total sales, with a total value of 95,552 MB or 54% of the total value of units sold. These figures also indicate that public companies' projects took up a greater market share. These companies also selected prime



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locations for their projects. Another reason for the sales of public companies to be greater than those of private limited companies was because the public companies turned to locations in inner city areas along the train route and chose to develop units with moderate prices; hence they could enjoy good sales figures.

**Comparisons of total units sold and the values between public companies and subsidiaries and private limited companies**

House Type	Total of Unit				Value			
	บมจ + ในเครือ	บจก + รายย่อย	รวม	%	บมจ + ในเครือ	บจก + รายย่อย	รวม	%
Detached house	6,306	5,642	11,948	20%	28,317	23,764	52,081	30%
Semi-detached	1,530	1,956	3,486	6%	3,548	5,028	8,576	5%
Townhouse	7,270	7,155	14,425	24%	13,492	12,952	26,444	15%
Shophouse	151	922	1,073	2%	1,082	3,269	4,351	2%
Condominium	17,275	10,588	27,863	47%	48,533	35,289	83,822	48%
Land subdivision	137	153	290	0%	580	470	1,050	1%
Total	32,669	26,416	59,085	100%	95,552	80,772	176,324	100%
% proportion	55%	45%	100%		54%	46%	100%	

**Source:** Agency for Real Estate Affairs (AREA)

**Table showing the top ten public companies with the highest values of development projects in 2009**

Rank	Company name	Number of projects	Project value (MB)	Number of residential units
1	Preuksa Real Estate Public Company Limited	40	17,412	9,471
2	Asian Property Development Public Company Limited	8	14,039	2,311
3	Sansiri Public Company Limited	8	13,887	2,332
4	Land and Houses Pubic Company Limited	9	13,351	2,704
5	Supalai Public Company Limited	8	9,433	3,583
6	L.P.N. Development Public Company Limited	5	8,058	7,059
7	Quality Houses Public Company Limited	4	7,482	916
8	Property Perfect Public Company Limited	6	5,457	1,045
9	SC Asset Corporation Public Company Limited	4	2,237	290
10	Noble Development Public Company Limited	2	2,004	434

**Source:** Agency for Real Estate Affairs (AREA)

**3.2.2.3 Potential for competition**

With knowledge and skills, competence and experience which the Company has continually accumulated over an extended period of time, the Company is now a real estate developer well known among consumers. Its focus on the excellence of its products and services under the slogan "The Art of Family Living" ensures that its products are of good quality, all the details are dealt with meticulously and in perfect harmony, all the materials are carefully selected for every single component of the

house. With acceptance and confidence from the customers which it enjoys, it has high potential for competition. Besides, its competition potential is supplemented by the following factors:

- (1) The Company has been continuously conducting product research and development in order to improve the quality of its products, with emphasis on designs which fulfill customers' requirements in terms of usability and modernity.
- (2) The Company won the "Awards of Merit" for house designs in 2001 and 2004 presented at Pacific Coast Builders Conference (PCBC) in the USA. It was also awarded an honorable mention for "the 2007 Best Energy-saving Home Awards" from the Department of Alternative Energy Development and Efficiency, Ministry of Energy.
- (3) The Company has a policy to differentiate its products and services for competitive advantage.
- (4) The Company can effectively control construction costs through several measures; e.g., development of construction techniques and technologies, having a subsidiary (Grow Yotha Group Company Limited) engaged in trading of construction materials as a supplier for the Company and the contractors.
- (5) The Company has launched marketing promotion activities continuously to create brand awareness in order to induce the demand for its products, to remind consumers of the products, to build up confidence in the products and to create a good image.

### 3.2.2.4 Industry trends and future competition

The global economic recession had its repercussion on the Thai economy and the property sector, starting in late 2008, and the impact was expected to continue in 2009. The trend of the housing market in 2009 would be dictated by real consumer demands. The Company had to take into consideration all factors which could affect the industry and make strategy adjustments to accommodate such factors.

- (1) The economic stimulus measures would have favorable impact on the property sector as demands in this sector are closely related to the overall economic situation.
  - Extension of the tax and fee reductions by another year (from the last date of March 28, 2009 to March 28, 2010). The rate of the specific business tax for property sales for housing estates and condominium projects was reduced from 3.3 to 0.11 %.; the transfer fee rate from 2 to 0.01 % and the mortgage registration fee from 1 to 0.01 %.
  - Increasing the allowance for income tax deduction from 100,000 to 300,000 Baht. A plan was also launched to extend housing loans to low-income earners.
- (2) Investments in mega projects, particularly the mass transit railways, are definitely a positive factor and contribute to expansion of communities. In 2009, construction contracts were signed by the government for the purple line (Bangsue-Bangyai), stimulating competition along the railway route and in Nonthaburi Province.
- (3) Interest rates had a rising trend in the second half of the year as a result of the global economic recovery following financial injections around the globe. This was considered a risk factor for people wishing to buy a house. Developers' costs also tended to rise along with the inflation rate as a result of the increases of the prices of oil and construction materials.
- (4) The outstanding supplies of housing units started to rise in 2009, causing developers to be more cautious, particularly for the category of detached houses and town houses, for which developers had to pay special attention to locations and prices.
- (5) The locations of condominium projects are still in inner Bangkok and along the train routes. BOI-promoted condominiums are likely to experience tougher competition.



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### 3.3 Sourcing of products and services

For all construction projects, the Company is the project developer and owner, from the stage of land purchase, house and project designing, application for a land allotment permit, and a construction permit, execution of the construction, quality control and quality checking, sales, to after-sale services.

The construction time varies from project to project, depending on the category, size and model. Time required for construction of different types of residences is as follows: 6-7 months for a detached house, 4-5 months for each row of town houses or home offices, and 8-12 months for a condominium building.

#### Production policy

The Company's policy is to increase or decrease its capacity in proportion with consumers' demand in each project. As the Company hires contractors to execute the production, capacity can be increased by hiring more contractors if the demand increases. In order to control the quality and standard of the construction, the Company has adopted the following measures:

- (1) Specification of construction and material standards for contractors.
- (2) Holding a meeting with contractors to agree on the construction schedule before the work begins.
- (3) Having in place a project engineer and a foreman at each project site to oversee the construction execution and inspect the work of contractors.
- (4) Having in place a quality control team to inspect the quality of all the construction work to ensure that it is all up to specified standards.

#### Land purchases

Land is obviously a very important component of a development project. It represents 40-50 % of the total production cost.

In purchasing, land, the Company's policy is to select land with potential for immediate development. Factors taken into consideration when selecting land are the location, the price, the town plan, legal restrictions, the direction of residential area expansion, the direction of the urban area expansion, and the competition, etc. The Company purchases land through such channels as land brokers, land owners and the Company's own staff.

In order to ensure success of the land purchase, a feasibility study is always conducted before the purchase is made. The feasibility study report is presented to the Executive Board for approval of the purchase.

#### Selection and hiring of contractors

The Company hires contractors to execute the construction. A project engineer and a foreman who are Company staff are stationed at the project site to control the work of the contractors to ensure that it is on schedule and meets the specified standards.

Selection of new contractors is based on experience, past performance and quality and the financial position etc. Records of contractors who have been contracted in the past are kept as databases (e.g., information about their work and the results of the performance appraisal). The information is used when hiring them in new projects. Presently, the Company has about 25 contractors, which makes it confident in the capacity to handle construction work and to accommodate the increasing volume of construction work in the future.



**Table showing the proportion of construction values to the total value of construction and material purchases**

Item	2007	2008	2009
Proportion of construction value of major contractors (percent)	14.29	12.66	35.29
Number of major contractors	1	1	1

Note: Major contractors are ones whose construction value is greater than 10 percent of the total value of construction and material purchases

In 2007 and 2008, the Company paid for construction work and construction materials in an amount exceeding 10 % of the total value of construction work and construction materials to one company as the Company purchases construction materials from Grow Yotha Group Company Limited, which is a subsidiary of the Company, for use in the construction of condominium projects of the Company. As such projects have high project values, the proportion of the value of the construction work and materials paid to this subsidiary exceeded 10 % of the total value of construction work and construction materials.

In 2009, the Company paid for construction work and goods purchases from one company, Italian Thai Development Public Company Limited, in an amount exceeding 10 % of the total value of construction work and goods purchases because the latter was the main contractor of the Smart Condo Rama II Project, of which value was about 1,800 BM.

#### Purchases of construction materials and fixtures and fittings

The Company attaches great importance to the quality of the products. Therefore, construction materials and fixtures and fittings are selected carefully to ensure that they are appropriate and are of good quality and standards. These are therefore the main factors to be considered. Prices are supplementary factors for consideration. Major construction materials are cement, steel, roof trusses, roof tiles, ceramic tiles, gypsum boards, bricks, floor planks and bored piles.

Procurement of construction materials and fixtures and fittings are in two categories as follows:

- (1) Construction materials procured by the contractors

As the Company hires the contractors to execute the construction, they are required to procure some items of the materials used in their type of work. The qualities and details of the materials must meet the Company's specifications.

- (2) Construction materials and fixtures and fittings procured by the Company

Most of the construction materials and fixtures and fittings procured by the Company are items which have to be used in large volumes or have to be purchased from specific suppliers, requiring a long period for order placement. Procurement by the Company enables the Company to keep construction costs at appropriate levels. It also lessens the burden of the contractors as they do not have to handle the procurement themselves. Presently, the Company orders construction materials and fixtures and fittings from about 80 domestic suppliers.

Prior to placing an order, the Company estimates the volumes required and an order is then placed in accordance with the estimate. The Company has the supplier deliver the goods in progressive amounts and to bill the Company in accordance with the actual requirements.

In 2008, there was one major supplier whose billings for construction materials and fixtures and fittings exceeded 10 % of the total value of the Company's construction work as the Company purchased construction materials from this company, Grow Yotha Group Company Limited, which is its subsidiary as cited under the item Selection and hiring of contractors.



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### 3.4 Impact on the environment

None of the housing estate projects carried out by the Company was on an area exceeding 100 rai. The projects were therefore not subject to the requirements of the environment laws. However, in order to promote conservation of the environment, the Company provides a wastewater treatment tank for each house and at the clubhouse of each project so that water is properly treated before being drained into a public sewer.

Tall and moderate size residential condominiums buildings with 80 units or more are governed by the environment law. The Company applies for construction permit from the Office of Natural Resources and Environmental Policy and Planning and is also required to submit an Environmental Impact Assessment report to the Office. If the Office is of the opinion that the project for which a permit is sought has no environmental impact, a permit is then issued.

The Company had no disputes in environmental matters in the past.

### 3.5 Houses not yet delivered

The following are details of units reserved but ownership has not been transferred, as at December 31, 2009.

**Table showing the number of units reserved but ownership has not been transferred and their values**

Product type	Number of projects	Number of units	Value (MB)
Housing estates	14	145	628.13
Residential condominiums	5	836	1,201.71
Total	19	981	1,829.84

As at the end of 2009, there were 8 projects under which the values of undelivered houses were greater than **10%** of the revenues from sales of property as follows:

- (1) Five housing estates projects (145 units with a total value of 628.13 MB) as the Company has now adopted a semi pre-built house policy, building and selling houses at the same time.
- (2) Three residential condominiums (836 units with a total value of 1,201.71 MB), as the Company started selling the condominium units in 2007 while they were under construction. The three projects are scheduled for completion in Q2/2010.

## 4. Research and development

As competition in the real estate industry becomes more intense and the consumer behavior is changing, research and development now plays important roles in marketing products. The Company places more and more importance to research and development in order to respond directly to customers' demands in various areas; e.g., the project design, the project plan, the house design, usability, the location, and selection of construction materials and fixtures and fittings which are suitable for each project.

The Company's research and development are in the following areas:

1. Development of the product designs and quality control in order to satisfy consumers' requirements, with emphasis placed on models which provides greater usability, modernity and quality, and better standards in harmony with the environment for better living.
2. Selection of construction materials and fixtures and fittings from both the engineering and architectural perspectives. Emphasis is placed on modernity, suitability, harmony, good quality and good standards. In addition, the Company cooperates with manufacturers of construction materials in developing materials for use in its projects.
3. Development of construction techniques and technologies in order to enhance construction efficiency and raise product standards as well as control costs. In 2009, the Company adopted the tunnel formwork technology for use in construction of town homes in the Baan Prin Watcharaphon and Six Nature Kallaprapluk Projects. This will be the main construction technique in all town home projects to be launched, and pre-fabrication will be used in the Smart Condo Project.

In addition, the Company conducted research on customers' requirements to obtain information for use in product development and selection of construction materials and fixtures and fittings. The research was designed to suit each focus group. It also constantly monitors the market condition and movements of other operators.

The Company has experienced staff to conduct product research and development. Information gathered by the staff, coupled with information supplied by outside sources, helps make its products stand out and fit for the different locations, project sites and customers' requirements.

Research and development expenses borne by the Company are the salaries of employees in departments related to research and development (e.g., Product Development and Marketing Departments).



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A photograph of a woman with long dark hair, wearing a light-colored sleeveless top, holding a young child. The child is wearing a white short-sleeved shirt and khaki pants, and is laughing joyfully. The woman is also smiling. They are outdoors with green foliage in the background. A semi-transparent dark grey rectangle is overlaid on the left side of the image, containing the word 'Brilliant' in white script font.

*Brilliant*



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## 6. Future projects

As at December 31, 2009, the Company and the subsidiaries had 23 projects on sale, with a total value of approximately 15,333.26 MB (the total value of units sold was 9,790.15 MB and the total value of units for sale was 5,542.55 MB). Three new projects were launched in Q4/2009 along with the sign of economic recovery. There are five other projects of which land has been purchased and model houses are being constructed. The projects will be launched in 2010, with a total value of 1,905.00 MB. Details are provided below:

### 5.1 Projects to be launched by the Company

Project	Project type/ Area(rai)	Location	Number of units	Estimated project value (MB)	Estimated launch date
Condominium Smart Watcharaphon Phase1	Condominium 4-0-31 rai	Soi Watcharaphon	302	300.00	Q2/10
Six Nature Phetkasem 69	Three-story townhouses 15-2-63 rai	Soi Phetkasem 69	191	550.00	Q2/10
Six Nature Viphawadee 60	Three-story townhouses 15-0-0.00 rai	Soi Viphawadee 60	180	450.00	Q2/10
City Sense Prachachuen	Two-story townhouses 5-0-0.00 rai	Soi Samakkee	55	155.00	Q1/10
City Sense Songgrapha	Two-story townhouses 17-0-47.80 rai	Songgrapha Road	188	450.00	Q2/10
Total			667	1,905.00	

In 2010, the Company plans to buy five to ten plots of land for development of detached houses and town homes. It is expected that one to two plots will be obtained during Q1/2010.

There is also vacant land held for development, belonging to the Company and the subsidiaries. Consideration is being made to develop the land in the future. Details are as follows:

As at December 31, 2009, there were six vacant plots of land held for development:

1. Land on Liabchaihard Road, Pranburi District, Prachuap Khiri Khan Province, with an area of 18-3-3 rai, a book value of 69.53 MB and an appraisal value as at March 28, 2008 of 172 MB
2. Land on Narathiwasrachanakarin Road, adjacent to the Complete Narathiwas Project, with an area of 1-1-70.4 rai, a book value of 205.05 MB and an appraisal value as at June 17, 2009 of 182.59 MB
3. Land near Bangsue Canal, Kampaengphet Road, with an area of 3-2-21.2 rai, a book value of 67.29 MB and an appraisal value as at January 28, 2010 of 72.57 MB
4. Land in Thakham area, Kwaeng Thakham, Bangkhuntian District, with an area of 61-3-. 05 rai, a book value of 223.52 MB and an appraisal value as at June 23, 2009 of 241.74 MB
5. Land in Pattaya-Ban Amphur area, with an area of 26-1-26.6 rai, a book value of 338.26 MB and an appraisal value as at May 17, 2008 of 339.54 MB



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6. Land on Bangna-Trat Highway, with an area of 10-0-60 rai, a book value of 33.99 MB and an appraisal value as at October 14, 2008 of 37.41 MB

A subsidiary has vacant land on Soi Pattaya-Naklua 12, Chonburi Province, with an area of 10-3-24.60 rai and a book value of 57.00 MB. The value of the land has not been appraised.

The Company has no policy to accumulate land for an extended period of time for future development (or a "land bank") in order to avoid business risks.





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## 6. Capital Structure

### 6.1 The Company's securities

As at December 31, 2009, the registered capital of the Company was 1,005 MB, consisting of 1,005 ordinary shares, with a par value of 1.00 Baht each. At the Annual General Meeting of Shareholders, Session 1/2007, convened on March 26, 2007, the meeting approved the issuing of 355,000,000 (three hundred and thirty five million) ordinary shares and offering them to the existing shareholders based on the proportion of their shareholding. The meeting also approved the issuing of 355,000,000 (three hundred and thirty five million) ordinary shares and offering them to the public as well. However, the resolution of the Annual General Meeting of Shareholders, Session 1/2009, held on April 22, 2009, approved the cancellation of the issuance of new shares for public offering and the offering of 335,000,000 units of share warrants to existing shareholders at no cost. The meeting also passed a resolution to decrease the Company's registered capital from 1,340 MB to 1,005 MB.

### 6.2 The Company's Shareholders

The following is a list of the ten largest shareholders according to the share register as at 31 December 2008:

No.	Shareholder	Number of Shares held	Percent of shares held
1.	Kovitchindachai family *	686,163,071	68.27
2	Mr. Somphong Chonkhadeedamrongkul	99,319,300	9.88
3	MORGAN STANLEY & CO. INTERNATIONAL PLC	30,000,000	2.98
4	Thai NDVR Co., Ltd.	27,499,500	2.73
5	Ms. Phoranee Phruksala-nun	17,829,550	1.77
6	UOB Kay Hian (Hong Kong) Limited-Client Account	9,455,000	0.94
7	Mr. Kwanchai Mongkolkittaveepol	6,450,000	0.64
8	Mr. Kachain Benchakul	4,400,850	0.43
9	Mr. Kiattisak Trairungwattana	4,140,000	0.41
10	Other shareholders	119,742,729	11.91
Total		1,005,000,000	100.00

Note: \* The Kovitchindachai family consists of:

	<u>Name Last name</u>	<u>Number of shares held</u>	<u>Percent</u>
1.	Ms. Siriluck Kovitchidachai	233,592,196	23.24
2.	Mrs. Kimlang Kovitchindachai	101,495,769	10.09
3.	Mr. Prinya Kovitchindachai	101,000,000	10.04
4.	Ms. Patcharee Kovitchindachai	84,866,368	8.44
5.	Mr. Chaiyo Kovitchindachai	48,881,068	4.86
6.	Mr. Chaiwut Kovitchindachai	27,915,068	2.77
7.	Mr. Chaiwat Kovitchindachai	9,075,000	0.90
8.	Mr. Santi Kovitchindachai	8,674,122	0.86
9.	Mr. Wongwai Kovitchindachai	8,100,000	0.80
10.	Mr. Chawai Kovitchindachai	7,950,144	0.79
11.	Mr. Pisanu Kovitchindachai	7,806,668	0.77
12.	Miss Sudara Kovitchindachai	7,806,668	0.77
13.	Mr. Chairat Kovitchindachai	7,800,000	0.77
14.	Miss Supharat Kovitchindachai	7,800,000	0.77
15.	Mr. Thanin Kovitchindachai	7,800,000	0.77
16.	Miss Busayarat Kovitchindachai	7,800,000	0.77
17.	Miss Worarat Kovitchindachai	7,800,000	0.77

## 6.3 Dividend payment policy

The Company's policy is to pay dividends to the shareholders in the amount not less than 40 percent of net profit after corporate income tax. The dividend payment rate each year is subject to change, depending on the operating results, the expansion plan, liquidity and other necessity and suitability factors. The Board of Directors is authorized to consider the matter in the best interest of the shareholders. The Company's subsidiaries have the same dividend payment policy and the matter is subject to the consideration of their Board of Directors.



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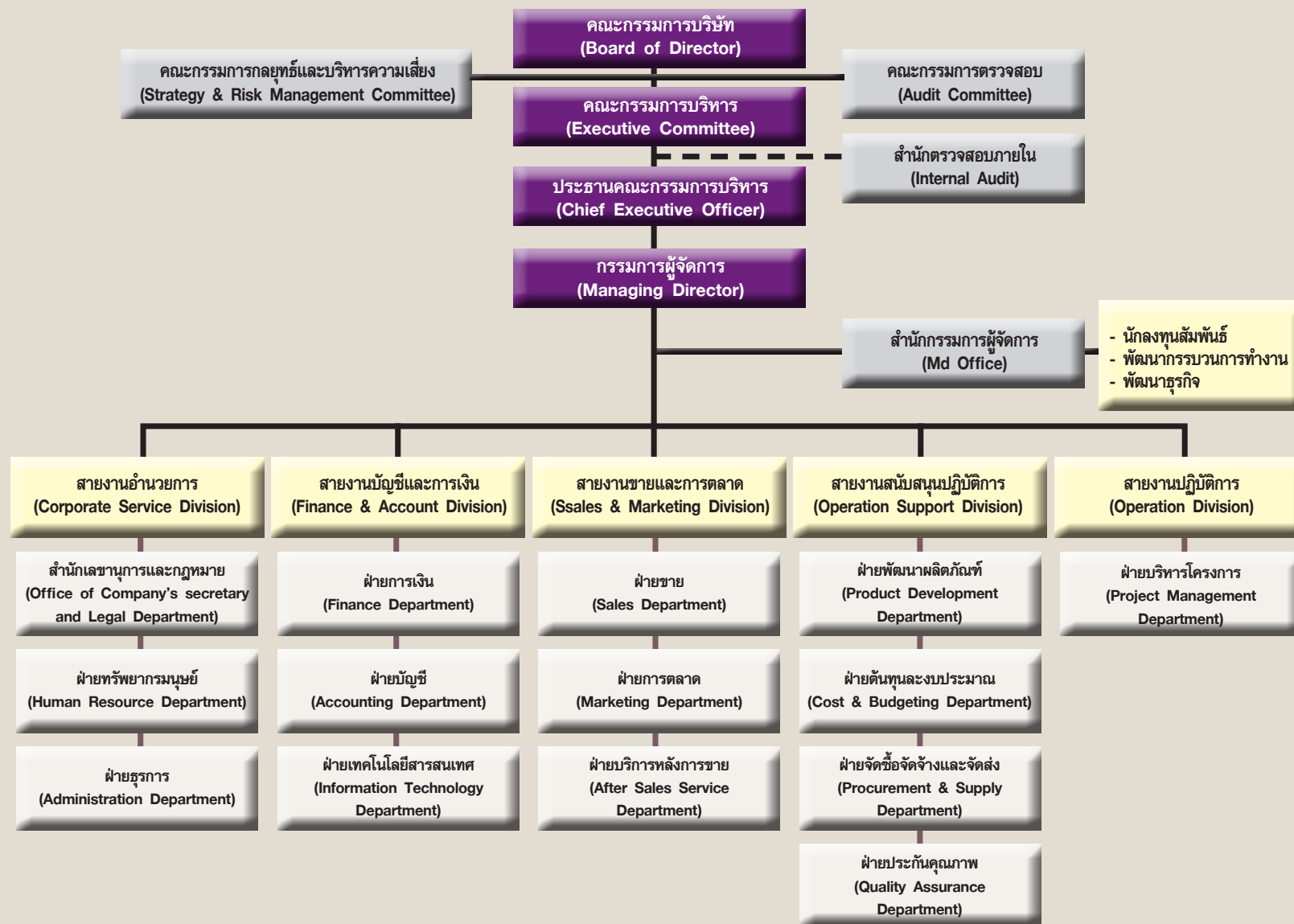


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## 7. Structure of management



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## 7.1 Structure of the Board of Directors

The Company has appointed the Board of Directors and two other committees tasked with specific duties in overseeing important matters; namely, the Audit Committee and the Risk Management Committee. The Directors and executives of the Company are competent and have qualifications as required under Section 68 of the Public Limited Company Act, B.E. 2535 and the Notification of the Securities and Exchange Commission No. Kor Jor. 12/2543 re: Application and Approval for Offering of Newly-issued Shares, dated March 22, 2000.

### 7.1.1 Board of Directors

As at 31 December 2009, the Company's Board of Directors consisted of 9 Directors; namely,

1. Prof. Dr. Warapatr Thodhanakasem Chairman and Independent Director
2. Assoc.Prof. Anchalee Pipatanasern Chairman of Audit Committee/Independent Director
3. Assistant Professor Monpaka Vongsa Audit Committee Member /Independent Director
4. Associate Professor Witaya Danthamrongkul Audit Committee Member/Independent Director
5. Ms. Siriluck Kovitchindachai President of the Executive Board/Director
6. Mr. Veera Srichanachaichok Managing Director/Director
7. Mr. Chaiwat Kovitchindachai Director
8. Mr. Kwanchai Mongkolkittaveepol Director
9. Mr. Sakol Pao-in Director/ Secretary of the Board of Directors

### Authorized Directors

**Authorized Directors who can sign to bind the Company are:**

- (1) Any two of the following three persons, Prof. Dr. Warapatr Thodhanakasem, Ms. Siriluck Kovitchindachai and Mr. Veera Srichanachaichok, co-signing with the Company seal affixed, or one of the three co-signing with Mr. Kwanchai Mongkolkittaveepol or Mr. Chaiwat Kovitchindachai, (two persons in total) with the Company seal affixed
- (2) Any two of the following four persons, Mr. Veera Srichanachaichok, Mr. Kwanchai Mongkolkittaveepol, Mr. Chaiwat Kovitchindachai and Mr. Sakol Pao-in, co-signing with the company's seal affixed on documents used for an application for a land allocation permit, a land sale permit, a building and structure construction permit, requests for inspection, consolidation or separation of land title deeds, permission to separate co-ownership, mortgage registration, clearance to mortgage, redemption of land plots or buildings, requests for a house ID, applications for use and transfer of electricity and water supply, right lease, telephone line usage, general telephone requests, permission to connect with roads and sewage pipes, permission to cut a curb, requests for inspection of land position and area, requests for land plot measure and separation, condominium registration, applications to register a condominium juristic person, applications to register a housing estate juristic person, applications for usage of a building, giving consent to the use of premises for commercial purposes, making statements and submission and receipt of documents related to the Revenue Department, prosecution, submission of pleading in both civil suits and criminal cases, lodging complaints or accusations to the police or inquiry official instead of complaints, compromising, pleading, submission and retrieving any documents related to a court case, application for permission from government agencies or state enterprises, and certifying true copies of documents.



## Scope of authority and duties of the Board of Directors

1. Manage the Company in compliance with the laws, the Company's objectives and Articles of Association, and legitimate resolutions of shareholders' meetings with integrity and care to protect the interests of the Company;
2. Set objectives, guidelines, policies, work plans and budgets of the Company and supervise the management of the Executive Board to ensure full compliance with the assignments and the regulations of the Stock Exchange of Thailand;
3. The Board of Directors may appoint Directors and/or Management members in a number deemed appropriate as the Executive Board with authorities and responsibilities to manage the Company's business as assigned by the Board of Directors. Exceptions are the following tasks which can be implemented only upon the resolutions of a shareholders' meeting and on a condition that any Director or person with potential conflicts of interests, vested interest or any other interest conflicts with the Company shall not have the right to vote in that matter.
  - Matters required by laws to obtain a prior resolution of a Shareholders' Meeting.
  - Transactions in which any Directors have vested interest and are required by law or the Stock Exchange to obtain a prior resolution of a shareholders' meeting

In the years 2008 and 2009, the Company held 4 and 5 meetings of the Board of Directors, respectively. Attendance of each member is shown below:

No.	Name – Last name	2008	2009
1	Mr. Mongkol Pao-in *	3/4	3/5
2	Prof. Dr. Warapatr Thodhanakasem ****	-	2/5
3	Mr.Surabhon Kwunchaithunya **	4/4	3/5
4	Police Lt. Sivaraks Phinicharomna ***	4/4	3/5
5	Mrs. Moogda Arriyavat ***	4/4	3/5
6	Assoc.Prof. Anchalee Pipatanasern ****	-	2/5
7	Assistant Professor Monpaka Vongsa ****	-	2/5
8	Associate Professor Witaya Danthamrongkul ****	-	2/5
9	Ms. Siriluck Kovitchindachai	4/4	4/5
10	Mr. Chaiwat Kovitchindachai	4/4	2/5
11	Mr. Kwanchai Mongkolkittaveepol	4/4	5/5
12	Mr. Sakol Pao-in	4/4	4/5
13	Mr. Veera Srichanachaichok	1/4	4/5

Notes : Mr. Veera Srichanachaichok was appointed Director on September 1, 2008.

\* Mr. Mongkol Pao-in resigned on August 17, 2009.

\*\* Mr. Surabhon Kwunchaithunya resigned on October 16, 2009.

\*\*\* Prof. Dr. Warapatr Thodhanakasem took up Chairmanship on October 20, 2009.

\*\*\*\* Assoc.Prof. Anchalee Pipatanasern, Assistant Professor Monpaka Vongsa and Associate Professor Witaya Danthamrongkul took up Directorship on October 20, 2009.



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**7.1.2 The Audit Committee**

As at 31 December 2009, the Company's Audit Committee consisted of three members as follows:

1. Assoc.Prof. Anchalee Pipatanasern Chairman of Audit Committee
2. Assistant Professor Monpaka Vongsa Audit Committee Member
3. Associate Professor Witaya Danthamrongkul Audit Committee Member

Mr. Sakol Pao-in is secretary of the Audit Committee.

Note: The three Directors were appointed on October 20, 2009.

**The scope of authority and duties of the Audit Committee**

1. Review the Company's financial statement to ensure that they are accurate and that they have sufficient disclosure by coordinating with the external auditors and the officers in charge of preparation of quarterly and annual financial statements. The Audit Committee may advise the External Auditor to review or examine any items deemed necessary and important during the auditing.
2. Review the appropriateness and effectiveness of the Company's Internal Control and Internal Audit by conducting a joint review with the External Auditor and Internal Audit.
3. Hold consultations and consideration of the parameters for auditing and the internal audit and the auditor's plan to ensure that they are in agreement and support each other as regards financial auditing.
4. Review the interim financial statements with the auditor and internal audit prior to submitting them to the regulators.
5. Select and nominate the Company's Auditor to the Board of Directors, and propose their remuneration to seek approval from the shareholders' meeting.
6. Review the Company's compliance with the laws related to securities and exchange, the regulations of the Stock Exchange of Thailand and other laws related to the Company's business.
7. Review the disclosure of the Company's information regarding related transactions and conflict of interest to ensure accuracy and completeness.
8. Prepare an Audit Committee Report to be signed by the Chairman of the Audit Committee and disclosed in the Company's annual report.
9. Review and propose revision to the Charter to the Board of Directors to ensure that it is up-to-date and appropriate for the Company's business.
10. Perform other duties assigned by the Board of Directors and concurred upon by the Audit Committee.

In 2008 and 2009, 5 and 4 meetings of the Audit Committee were held, respectively. Attendance of each member is shown below:

No.	Name – Last name	2008	2009
1	Mr. Surabhon Kwunchaithunya *	5/5	3/4
2	Police Lt. Sivaraks Phinicharomna **	5/5	3/4
3	Mrs. Moogda Arriyawat **	5/5	3/4
4	Assoc.Prof. Anchalee Pipatanasern ***	-	1/4
5	Assistant Professor Monpaka Vongsa ***	-	1/4
6	Associate Professor Witaya Danthamrongkul ***	-	1/4

Notes: \* Mr. Surabhon Kwunchaithunya resigned on October 16, 2009.

\*\* Mrs. Moogda Arriyawat and Police Lt. Sivaraks Phinicharomna resigned on October 20, 2009.

\*\*\* Assoc.Prof. Anchalee Pipatanasern, Assistant Professor Monpaka Vongsa and Associate Professor Witaya Danthamrongkul became Audit Committee Members on October 20, 2009.



## 7.1.3 Strategy and Risk Management Committee

In 2009, as a restructuring move, a Strategy and Risk Management Committee was appointed, replacing the Risk Management Committee. One meeting was held during the year and was attended by all the Members.

As at December 31, 2009, the Strategy and Risk Management Committee had five Members; namely,

- |    |                                  |  |
|----|----------------------------------|--|
| 1. | Prof. Dr. Warapatr Thodhanakasem | Chairman of the Strategy and Risk Management Committee |
| 2. | Ms. Siriluck Kovitchindachai     | Member   |
| 3. | Mr. Veera Srichanachaichok       | Member   |
| 4. | Mr. Thongchai Jaruskulchai       | Member   |
| 5. | Mr. Sakol Pao-in                 | Secretary  |

Authority and duties of the Strategy and Risk Management Committee

1. Consider the policies, directions, strategies and risk management structure, as well as the Company's business principles as proposed by Management to ensure that they are aligned with and support the current economic and competition conditions
2. Follow up on the development of strategies and the framework of risk management
3. Follow up on the risk indicative process and assessment
4. Evaluate and approve the risk management plan
5. Report to the Board of Directors on risks and risk management
6. Liaise with the Audit Committee in matters related to major risks

## 7.1.4 Executive Board

As of 31 December 2009, the Company's Executive Board comprised 5 persons as follows:

- |    |                                 |                                 |
|----|---------------------------------|---------------------------------|
| 1. | Ms. Siriluck Kovitchindachai    | Chairman of the Executive Board |
| 2. | Mr. Veera Srichanachaichok      | Executive Director              |
| 3. | Mr. Chaiwat Kovitchindachai     | Executive Director              |
| 4. | Mr. Kwanchai Mongkolkittaveepol | Executive Director              |
| 5. | Mr. Sakol Pao-in                | Executive Director              |

Authority and duties of the Executive Board

1. Consider the policies, directions, strategies and management structure, as well as the Company's business principles as proposed by Management to ensure that they are aligned with and support the current economic and competition conditions before presentation to the Board of Directors for approval.
2. Propose business plans, budgets and Management Authorities to the Board of Directors for approval. Consider approving annual budgets and revisions to the annual budgets in urgent cases which are to be reported to the Board of Directors for acknowledgement on a later occasion.
3. Follow up on implementation of policies and execution of management plans to ensure effectiveness and conduciveness to the business.
4. Follow up on the Company's implementation of the business plans approved by the Board of Directors.
5. Consider approving the Company's investment projects which are in line with the business plans.
6. Appoint and dismiss Company officials holding positions lower than Managing Director.
7. Enter into financial transactions with financial institutions (account opening, borrowing, pledging, mortgaging, guarantees and other transactions, including sales and purchases of land to serve the Company's business objectives) with the amount of each transaction not exceeding 750 MB or equivalent or as specified by the Board of Directors.
8. Consider allocating awards, bonuses, or compensation approved by the Board of Directors to the Company's employees or any other persons contributing to the Company's business.



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9. Consider approving sales and purchases of office equipment and supplies, land, buildings, as well as the construction, repair and renovation of office buildings, provided that the amount of each transaction does not exceed 750 MB or being as specified by the Board of Directors.
10. Perform other duties assigned by the Board of Directors.

Delegation of the Board of Directors' authority to the Executive Board as cited above does not apply to authority delegation or sub-delegation which would empower the Executive Board or the person (s) to whom the authority is sub-delegated to approve transactions which they have with the Company or the subsidiaries where they may have conflict, vested interest or any conflict of interest (as required by the relevant SEC announcements), except for transactions made in accordance with the policy and criteria already approved by the Board of Directors which are a normal business practice with normal trade conditions.

### 7.1.5 Management

As of 31 December 2009, the Company's Management comprised 6 persons as follows:

- |    |                                 |  |
|----|---------------------------------|--|
| 1. | Ms. Siriluck Kovitchindachai    | Chairman of the Executive Board                        |
| 2. | Mr. Veera Srichanachaichok      | Managing Director                                      |
|    |                                 | Acting Senior Vice President of Accounting and Finance |
|    |                                 | Acting Senior Vice President of Sales and Marketing    |
|    |                                 | Acting Senior Vice President of Operation              |
| 3. | Mr.Thongchai Jaruskulchai       | Executive Vice President of Operation Support          |
| 4. | Mr. Chaiwat Kovitchindachai     | Senior Vice President                                  |
| 5. | Mr. Kwanchai Mongkolkittaveepol | Senior Vice President                                  |
| 6. | Mr. Sakol Pao-in                | Senior Vice President of Administration                |

### Scope of authority and duties of the Managing Director

1. Operate and manage the normal business of the Company.
2. Operate and manage the business of the Company in accordance with the policies, plans and strategies approved by the Board of Directors.
3. Delegate authority to or empower other persons deemed suitable to lead in executing matters as necessary and appropriate, subject to endorsement by the Chairman and the relevant laws as well as Company rules and regulations.
4. Perform other duties as assigned by the Board of Directors from time to time.
5. Execute and approve entering into hiring contracts, work contracts and other normal business commitments, subject to an amount within the limit set forth by the Management Authorities which have been approved by the Board of Directors and which may be adjusted as appropriate by the Board of Directors.

The delegation of authority to the Managing Director described above is subject to legal requirements and Company regulations. In cases where there are or may be interest or vested interest on the part of the Managing Director, he has no authority to approve such transactions. He is required to forward the matter to the Board of Directors for consideration.

In addition, entering into related transactions or transactions related to acquisition or disposition of assets of the Company or the subsidiaries requires approval of the shareholders' meeting and/or other undertakings in accordance with the guidelines and methods prescribed for such matters in order to comply with SET requirements.

## 7.2 Nomination of Directors and executives

The Company does not have a nominating committee to select candidates to be appointed as Directors. However, the Company's Board of Directors shall consider candidates with knowledge, competence, experience and qualifications as required under Section 68 of the Public Limited Company Act B.E. 2535, and relevant announcements of the Securities and Exchange Commission.

### 7.2.1 Nomination of Directors

The Directors are nominated and elected at the shareholders' meeting using the following procedures and methods:

1. One share is entitled to one vote.
2. Each shareholder is to vote with all his/her entitlement: 1) voting is done to elect Directors individually or as a group at one time or 2) voting can be done any other way deemed appropriate by the shareholders' meeting. However, shareholders may not allot their votes in any number to any particular persons or groups.
3. Election of Directors shall be by majority of votes. In the case of an equality of votes, the person presiding over of the meeting shall have a casting vote.

The Company appoints at least five Directors to the Board with no less than half of the Directors having domicile in Thailand. The Board members must be qualified according to criteria specified by the laws related to public limited companies and Securities and the Stock Exchange.

One-third of the Directors shall vacate their office at each annual general meeting. If the number of Directors cannot be divided into a multiple of three, the number nearest to one-third shall retire. The Directors to vacate office in the first and second years following the registration of the Company shall be drawn by lots. In subsequent years, those longest-serving shall vacate their office. Directors who have retired by such rotation may be re-elected.

In the event a vacancy in Directorship occurs for reasons other than by rotation, the Board of Directors shall elect a qualified person with no characteristics prohibited under the public limited company law to serve as a Director at the next meeting of the Board of Directors unless the remaining term of office of the vacated Director is less than two months. The person so elected shall hold office only for the remaining term of the Director whom he/she replaces. The resolution of the Board of Directors to elect a replacement Director requires not less than three-fourths of the votes of the remaining Directors.

The shareholders' meeting may resolve to remove any Director from office before the conclusion of his/her term. Such a resolution requires not less than three-fourths of the votes of the shareholders present with voting right, whose combined number of the ordinary shares are not less than half of the total number of shares held by the shareholders present with voting right.

### 7.2.2 The Audit Committee

The Board of Directors appoints the Audit Committee with qualifications of the Members in accordance with the criteria set forth by the Securities and Exchange Commission with approval of the shareholders' meeting. The term of the Audit Committee is three years. After completing the term, the Members of the Committee may be reappointed.

### 7.2.3 The Strategy and Risk Management Committee

The Company's Executive Board appoints the Strategy and Risk Management Committee who have the authority and duties to formulate Company strategies and manage its risks as assigned by the Board of Directors.



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### 7.2.4 The Executive Board

The Company's Board of Directors appoints the Executive Board who has the authority and duties to manage the business of the Company as assigned by the Board of Directors.

## 7.3 Management remuneration

### 7.3.1 Cash remuneration

#### 7.3.1.1 Remuneration for Directors

The Company's remuneration for Directors consists of meeting allowances and an annual bonus. In 2008 and 2009, the remunerations amounted to 1,550,000 and 1,143,000 Baht, respectively. Details are as shown in following table.

(Unit: Baht)

Name	2008		2009	
	Meeting Allowances	Bonus	Meeting Allowances	Director monthly compensation
1. Mr. Mongkol Pao-in *	85,000	200,000	85,000	-
2. Prof. Dr. Warapatr Thodhanakasem ****	-	-	0.00	288,000
3. Mr. Surabhon Kwunchaithunya **	200,000	200,000	160,000	-
4. Police Lt. Sivaraks Phinicharomna ***	210,000	125,000	160,000	-
5. Mrs. Moogda Ariyawat ***	210,000	125,000	160,000	-
6. Ms. Siriluck Kovitchindachai	10,000	-	0.00	-
7. Assoc.Prof. Anchalee Pipatanasern ****	-	-	30,000	80,000
8. Assistant Professor Monpaka Vongsa ****	-	-	30,000	60,000
9. Associate Professor Witaya Danthamrongkul ****	-	-	30,000	60,000
10. Mr. Chaiwat Kovitchindachai	7,500	50,000	0.00	-
11. Mr. Kwanchai Mongkolkittaveepol	10,000	50,000	0.00	-
12. Mr. Namchai Vanapanubet *****	7,500	-	-	-
13. Mr. Sakol Pao-in	10,000	50,000	0.00	-
Total	750,000	800,000	655,000	488,000

- Notes:
- \* Mr. Mongkol Pao-in resigned on August 17, 2009.
  - \*\* Mr. Surabhon Kwunchaithunya resigned on October 16, 2009.
  - \*\*\* Mrs. Moogda Arriyawat and Police Lt. Sivaraks Phinicharomna resigned on October 20, 2009.
  - \*\*\*\* Prof. Dr. Warapats Thodhanakasem took up Chairmanship on October 20, 2009.
  - \*\*\*\*\* Assoc.Prof. Anchalee Pipatanasern, Assistant Professor Monpaka Vongsa and Associate Professor Witaya Danthamrongkul took up Directorship on October 20, 2009.
  - \*\*\*\*\* Mr. Namchai Vanapanubet resigned on August 22, 2008.
- The executive Directors resolved in 2009 to not receive meeting allowances and monthly Director allowances



## 7.3.1.2 Management remuneration

Remuneration	2008		2009	
	No. of persons	Remuneration (Baht)	No. of persons	Remuneration (Baht)
Total salaries	8	14,890,000	8	21,005,000
Total bonuses	6	2,665,000	1	100,000
Total	8	17,350,000	8	21,105,000

## 7.3.2 Other remuneration

-None-

## 7.4 Corporate governance

The Company is determined to conduct business with good corporate governance in accordance with the corporate governance guidelines of the Stock Exchange of Thailand and the Securities and Exchange Commission in order to enhance competitiveness, achieve growth and add long-term value for the shareholders, with the interest of other stakeholders in mind.

Good corporate governance is a value driver and a useful tool for achieving sustainable growth because it reflects effective management which is transparent and accountable. It can help bring about trust and confidence among shareholders, investors, stakeholders and all parties concerned. The Company has adopted a good corporate governance policy and has implemented it since 3 April 2004. Good corporate governance and the code of conduct manuals were prepared and distributed to all Company staff members.

The good corporate governance policy covers these five issues:

1. Rights of shareholders
2. Equitable treatment of shareholders
3. Roles of stakeholders
4. Information disclosure and transparency
5. Responsibilities of the Directors

The Company's good corporate governance practices can be summarized as follows:

### 7.4.1 Objectives of the corporate governance policy

The Board of Directors attaches importance to good corporate governance. Two specific committees have been appointed to screen important matters in accordance with the principles of good corporate governance. The two committees are the Audit Committee and the Strategy and Risk Management Committee. The Members of both Committees meet the qualifications specified in Section 68 of the Public Limited Company Act, B.E. 2535 and Announcement No. Kor. Jor. 12/2543 of the Office of the Securities and Exchange Commission. The Committees are clearly assigned responsibilities, with the Audit Committee also responsible for undertakings concerning good corporate governance. Their scope of work is as follows:

1. Propose guidelines for good corporate governance to the Board of Directors.
2. Provide advice regarding good corporate governance to the Board of Directors.
3. Supervise the Directors and Management to ensure compliance with the Company's good corporate governance.



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4. Review the procedures of the Company's good corporate governance by comparing them with international practices for improvement and make recommendations to the Board of Directors.

The Board of Directors has set the objectives of the Company's good corporate governance as follows: "The Company is committed to conducting its business in accordance with all applicable laws and regulations with transparency and fairness. We also place great importance on internal control, risk management, sufficient information disclosure, all of which will result in continual and sustainable growth of the business and add maximum value within the legal and business ethical frameworks for the shareholders and stakeholders."

#### 7.4.2 Rights of shareholders

The Company recognizes and values the rights of shareholders, encouraging them to exercise their rights. In addition, it constantly sees to it that the shareholders are treated equitably.

An annual general meeting of shareholders is held once a year within four months after the end of the fiscal year. In case of urgency requiring a resolution from the shareholders' meeting, the Company may arrange an extraordinary meeting. A meeting notice is sent to the shareholders at least 14 days in advance, together with detail agenda and relevant documents. Announcements are made in one Thai newspaper and one English newspaper on three consecutive days at least three days before the meeting date. The announcement provides information about the meeting notice with details of the meeting agenda and meeting documents in advance before the documents are sent to the shareholders. Also, in order to allow sufficient time to study the information before receiving it in hard copies, the Company publishes the information on its website under the section "Investor Relations" both in Thai and English at least 30 days before the meeting. In addition, the shareholders can propose an agenda item to the meeting via the website. On the day of the meeting, the Company provides convenience to all shareholders equally. Attendance registration begins two hours before the meeting time. The meeting venue and time are chosen with the attendant's convenience in mind.

During the meeting, the Company sees to it that all the shareholders have equal opportunities. Before the meeting commences, the Chairman of the meeting will clearly explain the meeting rules, including the voting procedure. The Chairman also offers an opportunity for the attendants to express opinions, make recommendations and ask questions pertinent to the agenda item being considered, allowing adequate and appropriate time. He and the other members of Management treat all issues raised as important, answering all questions asked clearly and directly. Voting is carried out using a universally accepted method, with emphasis placed on transparency. The minutes are correctly and completely taken so that shareholders can review them. They are also systematically kept for easy and convenient review.

In addition, the Company has the Investor Relations Department to serve as the information center. This unit provides Company information disclosure to shareholders, investors, reporters and the general public who are interested in the Company's securities. Information disclosed is accurate, complete, consistent, timely, transparent and equitably given. It includes the Company profile, financial statements, annual reports, meeting notices, notifications to the Stock Exchange and securities related activities. The Company also publishes those data on its website under the section "Investor Relations" in both Thai and English. The shareholders can also contact Investor Relations directly or via the website.



## 7.4.3 Rights of Stakeholders

The Company recognizes and respects the rights of the stakeholders such as customers, employees, trading partners, competitors, creditors and communities. It has clearly adopted the policies of good corporate governance and business ethics, so that every one in the organization can adhere to the guidelines. The following summarizes major points about the rights of all the stakeholders:

- Employees : The Company treats all employees equally and remunerates them fairly and appropriately
- Trading partners and creditors : The Company treats trading partners and creditors fairly and in accordance with business terms based on the contracts made.
- Customers : The Company takes good care of, and bears its responsibility to, customers by turning out quality products which are up to standards and well responsive to customers' needs, with emphasis on quality, service and appropriate prices.
- Competitors : The Company strictly follows the rule of good competition in order to maintain good competition practices.
- Communities : The Company recognizes the importance of environment conservation, bearing the responsibility for ensuring that the communities, society and the environment are not affected.

## 7.4.4 Shareholders' meetings

In 2009, there was an Annual General Meeting of Shareholders, Session 1/2552, for 2009 on 22 April, 2009. For this meeting, the Company sent a notice to the shareholders, together with details of the agenda, opinions of the Board of Directors, the minutes of the previous meeting, the annual report, meeting documents, and a proxy form with an explanation. (These documents were publicized on the Company website 30 days in advance of the meeting). The documents were sent to the shareholders more than 7 days prior the date of the meeting. The Company provided the documents to every shareholder listed in the shareholder register as at the closing date. It also announced the meeting notice in a daily Thai newspaper and a daily English language newspaper not less than three days in advance, and for not less than three consecutive days. In addition Independent Directors were appointed as proxy of shareholders who so desired. However, shareholders could appoint other people as their proxy at the meeting as well.

To be in line with the good corporate governance principles with regard to recognition of the importance of the shareholders, for the shareholders' meeting in 2009, the Company distributed information contained in the meeting notice with details of the agenda and the meeting documents to shareholders in advance before sending the documents to them by posting them on its website [www.prinsiri.com](http://www.prinsiri.com) under the Investor Relation section both in Thai and English not less than 30 days prior to the date of the meeting. Shareholders could also propose an agenda item and nominate persons for Directorship via the site or the email address [invest@prinsiri.com](mailto:invest@prinsiri.com). No shareholders proposed any agenda item or nominate any person through either channel.

At the shareholders' meeting of 2009, nine members of the Board of Directors were present. The Chairman of the Board chaired the meeting. He explained the details of the quorum, the meeting rules, the voting procedure, vote counting, and the use of voting ballots. The result of vote counting of each agenda item was announced clearly and transparently. The meeting attendants were given sufficient and appropriate time to ask questions and express opinions. The questions were answered clearly and directly by the Directors and the Management members. The meeting was conducted completely in accordance with the regal requirements. To provide convenience to the shareholders, attendance registration started two hours before the meeting commencement and continued until the meeting was adjourned. Refreshments and snacks were also served. The 1.30 hour meeting was properly and completely minuted so that shareholders can review the minutes which are kept in good order for convenient review.

After the meeting, shareholders can access the minutes via the Company's website under the "Investor Relations" section within 14 days.



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#### 7.4.5 Leadership and vision

The Board of Directors consists of members who have knowledge, competence, skills and experience. The Board performs duties by adhering to relevant laws, regulations, shareholders' meeting resolutions with integrity and ethics.

The Board of Directors takes part in formulating the Company's visions and mission and approving the business directions, policies, strategies, and goals for use as framework by Management in preparing annual business plans and budgets. The board shall then monitor the operation of Management to ensure that it is in line with the specified policies, goals and business plans in order to generate maximum benefits for the organization and the shareholders. During the previous year, the Executive Board proposed the annual business plans and the annual budgets to the Board of Directors. There was a joint discussion, after which the Board of Directors expressed further opinions and approved the proposals.

#### 7.4.6 Conflict of interest

The Company recognized the necessity to have in place a policy concerning conflict of interest, having adopted a policy to prohibit the Directors, executives and employee from seeking personal gains in conflict with the Company's interest. This has been made part of the Code of Conduct to which they are required to adhere.

The Board of Directors carefully looks into matters with potential conflict of interest as well as the use of inside information. Details are as follows:

1. Transactions with potential conflict of interest

The Board of Directors is informed of transactions with conflict of interest. In entering into transactions with potential conflict of interest, the Board of Directors will consider the suitability carefully, based on the Company's interest. Opinions of the Audit Committee will be sought in cases where conflict of interest may occur before they are proposed to the Board of Directors for consideration. The Company's procedure is strictly in accordance with the requirements of the Stock Exchange of Thailand.

2. Supervision of the use of inside information

The Company's policy prohibits Directors and executives from using material inside information either directly or indirectly for their own or other people's benefit, including the trading of the Company's securities. The following measures are taken to prevent the use of inside information by Management and personnel of the Company:

- Informing the Directors and Management members of their duties to report their holding of Company securities as required under Section 59, in accordance with the Notification of the Office of the Securities and Exchange Commission No. Sor.Jor. 14/2540 on Preparation and Disclosure of the Securities Holding Report and the penalties under Section 275 of the Securities and Exchange Act, B.E. 2535.
- Forwarding a circular notice to inform executives that those who have access to material information which may affect the price of securities must not use the information before it is disclosed to the public. Executives are prohibited from trading Company securities within one month of public disclosure of the financial statements or material information and from disclosing the information to other people.
- Departments with access to such information are prohibited from disclosing it to other units or persons not concerned with the matter.

To ensure that the Directors and executives who are required to prepare a report on their securities holding and the change thereof under Section 59 follow the laws, they are also required to inform the Board of Directors on the same day as the day they submit the report to the Office of the Securities and Exchange Commission. Although the Company has not imposed a penalty for failure to submit a securities holding report, it has notified them of the penalties under Section 59 of the Securities and Exchange Act, B.E. 2535 for Violation.

The Company's policy is to prohibit the Directors and executives from using inside information for personal gains either directly or indirectly.



At each meeting of the Board of Directors, the Chairman advises the Directors to follow the policy regarding conflict of interest. For any item on the agenda with which any Directors are involved or in which they have vested interest, they are requested to inform the meeting in order to abstain and to express no opinions.

The Audit Committee carefully considers the appropriateness and reasonability of related transactions, transactions with conflict of interest, and the guidelines provided by the SET before presenting the transactions to the Board of Directors for approval. The transactions are required to be reported and disclosed on a quarterly basis, as well as disclosed in the annual report and the Annual Information Filing Form.

To emphasize the importance it attaches to the control of the use of inside information, the Company has made it part of the Code of Conduct to be strictly observed by the Directors, executives and employees.

## **7.4.7 Business ethics**

Recognizing the significance of instituting a system of moral and ethical principles in concrete terms, the Company has developed the Corporate Code of Conduct, which has been in effect since April 3, 2004, to be observed by the Directors, executives and employees in conducting themselves and in treating all groups of stakeholders fairly. The Code of Conduct, which is believed to be vital to the sustainable growth of the organization, is expected to be strictly adhered to by all the Directors, executives and employees. Furthermore, the Company is determined to promote a widespread adoption of such principles among suppliers, contractors, advisors, business partners and other relevant parties.

In addition to making it available to all Directors, executives and employees, the Company has publicized the Corporate Code of Conduct on its Intranet and website under the Investor Relation section. The following paragraphs summarize The Corporate Code of Conduct.

### **7.4.7.1 Transparency and disclosure**

Corporate management, bookkeeping, and financial report preparation shall be correctly conducted in conformity with applicable laws, principles and acceptable international standards. Information disclosed must be true, clear, complete and up-to-date to maintain the confidence of investors, shareholders and debtors.

### **7.4.7.2 Equitable treatment**

The Company is determined to treat all parties involved, including shareholders, customers, debtors, employees and society at large, fairly and equitably. Shareholders, whether they be major or minor shareholders, shall be treated equally.

### **7.4.7.3 Risks management**

Management of risks where they concern effectiveness, efficiency, accuracy of financial reports, compliance with applicable laws, rules, regulations, and orders, shall be executed consistently with the good internal control framework. Business risks shall be analyzed and prioritized while control measures implemented to minimize them.

### **7.4.7.4 Corporate social responsibility**

In conducting business, due consideration shall be given to corporate social responsibility to ensure that the business is in line with public interests and beneficial to the environment. The Company shall make contributions to the development of the wellbeing of Thai society as a whole.

### **7.4.7.5 Organizational integrity and moral climate**

Integrity and moral constitute a key element of the Company's good governance and shall be upheld by personnel throughout the organization, from Directors, executives to employees of all levels. The Board of Directors is fully aware that an organization operating without these values will not survive in the long run.



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#### 7.4.8 Responsibilities of the Board of Directors

##### 7.4.8.1 Composition of the Board of Directors

The Board of Directors of the Company consists of nine members – a size appropriate for the business. The composition of the Board of Directors is as follows:

1. Five Executive Directors with vested interest
2. Four independent Directors

Therefore, the number of non-executive Directors accounts for 44 percent of the total number of the Directors. The composition of the Directorship of the Company, to a reasonable degree, is well-balanced. Each of the three non-executive Directors has the qualifications required of an audit committee member as prescribed in the Notification of the Stock Exchange of Thailand Re Qualifications and Scope of Work of the Audit Committee.

##### 7.4.8.2 The term of office of Directors and the number of companies in which each Director may serve

The Board of Directors consists of nine members, four of whom are independent Directors. The ratio of independent Directors to all Directors therefore is higher than one-third, as required by the SET. One-third of the Directors shall vacate their office at each annual general meeting. If the number of Directors cannot be divided into a multiple of three, the number nearest to one-third shall retire. The Directors to vacate office in the first and second years following the registration of the Company shall be drawn by lots. In subsequent years, those longest-serving shall vacate their office. Directors who have retired by such rotation may be re-elected.

In the event a vacancy in Directorship occurs for reasons other than by rotation, the Board of Directors shall elect a qualified person with no characteristics prohibited under the public limited company law to serve as a Director at the next meeting of the Board of Directors unless the remaining term of office of the vacated Director is less than two months. The person so elected shall hold office only for the remaining term of the Director whom he/she replaces. The resolution of the Board of Directors to elect a replacement Director requires not less than three-fourths of the votes of the remaining Directors.

The shareholders' meeting may resolve to remove any Director from office before the conclusion of his/her term. Such a resolution requires not less than three-fourths of the votes of the shareholders present with voting right, whose combined number of the ordinary shares shall not be less than half of the total number of shares held by the shareholders present with voting right.

##### 7.4.8.3 Qualifications of independent Directors

The number of independent Directors on the Board of Directors shall at all times constitute at least one-third of the total number of Directors, or not less than three. The qualifications of independent Directors are prescribed in accordance with SEC regulations, as follows:

1. Holding shares representing not more than 5% of the total shares with voting right of the Company, parent company, subsidiaries, associated companies or any juristic persons with potential conflict of interest.
2. Not being an employee, staff member or salaried advisor or controlling person of the Company, parent company, subsidiaries, associated companies or any juristic persons with potential conflict of interest.
3. Not being a person who has a blood or legally registered relationship as father, mother, spouse, sibling, offspring, including spouses of an offspring of the executives, major shareholders, controlling persons or persons to be nominated as executives or controlling persons of the Company or its subsidiaries.
4. Having no business relationship with the Company, parent company, subsidiaries, associated companies or any juristic persons with potential conflict of interest, which may impede his/her independent discretion and not having any characteristics that may obstruct his/her giving independent opinions on the Company's operations.

## 7.4.8.4 Separation of Duties of the Chairman and the Managing Director

The chairman of the Board of Directors and the Managing Director shall in no event be the same person. The Chairman shall be elected by and from among the members of the Board of Directors while the Managing Director shall be recruited. The Chairman plays the leading role in policy decisions of the Company resulting from its meetings, in which they consider and set business targets in conjunction with Management. He shall conduct meetings of the Board to ensure effectiveness and efficiency, by encouraging each Director to actively contribute to the meeting, for example, by raising relevant questions. He/ shall regularly meet with, and give advice to, Management members; oversee and support their operations through the Managing Director, but shall not interfere with day-to-day operations or routine work, which are under the responsibility of Management. The Managing Director shall be in charge of the Management. The Board shall empower the Managing Director or acting Managing Director or a named authorized person and no one else to bind the Company within the scope of the powers designated. The Managing Director shall, for efficient operations, delegate authorities to Management to carry out clearly-defined duties and responsibilities. In this manner, it can be seen that the roles and duties of the Board and the Management have been clearly separated and do not overlap.

## 7.4.8.5 Company Secretary

The Company has appointed Mr. Sakol Pao-in Company Secretary with duties and responsibilities as follows;

1. Preparation and keeping of the following documents:
  - Register of Directors
  - Notices of meetings of the Board of Directors, minutes of Board of Directors' meetings, and the Company's annual reports
  - Notices and minutes of general meetings
  - Reports on vested interest transactions disclosed by Directors and executives
2. Liaising with relevant regulating agencies

## 7.4.9 Remuneration of Directors and Executives

The policy toward remuneration of Directors and executives has been transparently and clearly set with the remuneration fixed at an appropriate amount in line with the industry. The remuneration is at levels sufficient for attracting and retaining qualified Directors and requires approval by the shareholders' meeting.

The Company pays remuneration to executives in accordance with the policy and principles specified by the Board of Directors. The remuneration is linked with the Company performance and individual performance. Although the Company currently has not appointed a Remuneration Committee, However, it has in place an appropriate procedure for consideration of the remuneration based on information about remunerations paid by companies in the same industry of about the same size. The performance of the Company is also used in the consideration.

In 2009, the remunerations paid to the Directors, which had been approved by the shareholders' meeting (meeting allowances and bonuses) totaled 2,480,000 Baht. Executive Directors agreed not to receive meeting allowances and monthly allowances. Details of the remunerations are in 9.3 Management remuneration.

## 7.4.10 Board of Directors meetings

The Board of Directors holds a meeting on a regular basis, at least four times a year. Each meeting must always have clear agenda and follow-up items. A notice is sent not less than seven days in advance of the meeting, together with the agenda and relevant documents, to allow sufficient time for the Directors to study the information. In cases of urgency, a notice may be sent in a different manner and the meeting may be scheduled for an earlier date, to protect the Company's interest.



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Each meeting takes at least two hours. All the Directors are given an opportunity to express their views openly and freely. The Chairman of the Board of Directors makes a summary of the discussion and draw conclusions. Directors with vested interest in the matter being considered have to leave the meeting. Minutes are taken after each meeting and the minutes which have been adopted are kept in an orderly manner for convenient and easy retrieving.

In 2008 and 2009, the Board of Directors held four and five meetings respectively. Please see 7.1 Structure of the Board of Directors for details of the Directors meeting attendance.

#### 7.4.11 Sub-committees

For the Company's effective performance, the Board of Directors has appointed two special committees to oversee important tasks – the Audit Committee and the Strategy and Risk Management Committee.

Descriptions of the authority and duties of the committees are in 7.1.2: the Audit Committee and 7.1.3: the Strategy and Risk Management Committee.

The Board of Directors has assigned the Audit Committee to oversee the Company's good corporate governance, with the following duties and responsibilities:

1. Propose guidelines for good corporate governance to the Board of Directors.
2. Provide advice regarding good corporate governance to the Board of Directors.
3. Supervise the Directors and Management to ensure compliance with the Company's good corporate governance.
4. Review the procedures of the Company's good corporate governance by comparing them with international practices for improvement and make recommendations to the Board of Directors.

#### 7.4.12 Reports of the Board of Directors

The Board of Directors is responsible for the Company's financial statements and financial information which are contained in the annual report. The financial statements are prepared in accordance with accounting principles generally accepted in Thailand. The financial statements are prepared under an appropriate and consistent policy with careful judgment. Material information is sufficiently disclosed in the Notes to the Financial Statements.

The Audit Committee has been appointed by the Board of Directors to audit the Company's financial statements to ensure their accuracy and adequacy. Appropriate and effective internal control and audit are in place. The Audit Committee consists of non-executive Directors who are responsible for the quality of financial reports and internal control. The Board is of the opinion that, overall, the internal control of the Company is at a satisfactory level and can build reasonable confidence in the reliability of the Company's financial statements.

#### 7.4.13 Relationship with Investors

The Board of Directors realizes that the Company's information, financial or otherwise, may influence the process of decision making of investors and stakeholders. The Company therefore has instructed Management to disclose complete, truthful, reliable, consistent, and timely information in compliance with the laws, rules, and regulations related to information disclosure of the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand, which Management values and follows.

In addition to information disclosure according to the requirement of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission, the Company has set up the Investor Relations Department which is responsible for information disclosure of the Company to shareholders, investors, analysts, reporters and the general public who are interested in the Company's securities.



In 2009, the Company conducted activities to provide information of the Company both directly and indirectly through three analysts meetings, three presentations to investors at the "Listed Companies Meeting Investors" event organized by the Stock Exchange of Thailand, four presentations to fund managers, both domestic and overseas, and two site visits. In addition, Investor Relations provides information and responds to enquiries from investors and reporters by e-mail and telephone on a regular basis.

Furthermore, the Company also provides information including operating results, financial statements, Company news, securities information, securities activities, annual reports, shareholders' meeting notices, minutes of meetings, and other information via its website: [www.prinsiri.com](http://www.prinsiri.com), under section Investor Relations. Investors may contact Investor Relations for information at 662-6176900 extension 111 or to email address [ir@prinsiri.com](mailto:ir@prinsiri.com).

In 2009, the Company received the third prize of the IR Excellence Awards in the category of companies with under 10 Billion Baht market capitalization. In 2010, the Company will keep on strengthening its investor relations function to further facilitate investors' access to Company information.

## 7.5 Supervision of the use of inside information and internal control

The Company's policy prohibits Directors and executives from using material inside information for their own or other people's benefit, including the trading of the Company's securities. The following measures are taken to prevent the use of inside information by Management and personnel of the Company:

- Informing the Directors and Management members of their duties to report their holding of Company securities as required under Section 59, in accordance with the Notification of the Office of the Securities and Exchange Commission No. Sor.Jor. 14/2540 on Preparation and Disclosure of the Securities Holding Report and the penalties under Section 275 of the Securities and Exchange Act, B.E. 2535.
- Forwarding a circular notice to inform executives that those who have access to material information which may affect the price of securities must not use the information before it is disclosed to the public. Executives are prohibited from trading Company securities within one month of public disclosure of the financial statements or material information and from disclosing the information to other people.
- Departments with access to such information are prohibited from disclosing it to other units or persons not concerned with the matter.

To ensure that the Directors and executives who are required to prepare a report on their securities holding and the change thereof under Section 59 follow the laws, they are also required to inform the Board of Directors on the same day as the day they submit the report to the Office of the Securities and Exchange Commission. Although the Company has not imposed a penalty for failure to submit a securities holding report, it has notified them of the penalties under Section 59 of the Securities and Exchange Act, B.E. 2535 for failure to submit the report.

To emphasize the importance it attaches to the control of the use of inside information, the Company has made it part of the Code of Conduct to be strictly observed by the Directors, executives and employees.



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## 7.6 Human resources

### 7.6.1 Number of employees

As at December 31, 2008, the Company has a total of 205 employees, excluding Directors and Management members. The number of employees can be classified by line as follows:

Line	Number (person)
Accounting and Finance	25
Administration	23
Managing Director's Office	9
Operation	48
Sales and Marketing	68
Operation Support	32
Total	205

Over the past three years, the Company had no labor deposes.

### 7.6.2 Remuneration for employees

The Company provides remuneration in the forms of salary, wage and bonus. In 2008, there were 295 employees and the remuneration amounted to 107.75 MB. In 2009, the total 205 employees were paid 98.70 MB. The remuneration figures include payment to those employees who joined and left the Company during the year.

### 7.6.3 Human resources development policy

The Company has a policy to support the development of human resources in terms of their knowledge and skills and to retain competent resources for the long term, offering them a good career path. Both in-house and off-premise training is regularly organized. A training plan is prepared each year based on the results of the survey on training requirements of the various levels of each department. Regular training is organized as appropriate for the specific work of the departments, while special programs are also available for the general staff and the executives.

## 8. Internal control

The Company attaches considerable importance to internal control. The Board of Directors assigned the Audit Committee to review and appraise the internal control system, with emphasis placed on having in place an internal control system which is adequate, suitable for the business, efficient and effective. Also covered in the internal control system are utilization of resources, property administration, prevention and reduction of errors, damages, leakages, waste, and fraud, accounting and financial reporting systems which are accurate and accountable as well as compliance with the laws, rules and regulations pertaining to the Company's business.

The Company has an Internal Control Consultant, Mrs. Sumon Limpichet, an independent internal auditor who has been hired to ensure that the internal audit department can perform their duties independently with proper checks and balances. The Board also requires the Internal Control Consultant to report directly to the Audit Committee.

During 2009, the Internal Control Consultant reviewed the internal control appraisal and came up with the following key points:

### 1. *The organization and the environment*

The executives and employees have an attitude which is favorable and conducive to internal control. The executives recognize the importance of adherence to moral principles, ethics and integrity. There is appropriate authority delegation and suitable numbers of staff members to perform the various functions. The human resources policy is appropriate for motivating and encouraging good performers. In general terms, the organization and the environment of the Company are appropriate and contribute to efficient and effective internal control.

### 2. *Risk management*

The Company has provided the direction and guidelines for risk management to ensure that risks are systematically managed. A Risk Management Committee oversees the management of Company risks in general terms, covering the entire organization, managerial, financial and operational risks, management of occupational health and safety, and other important risks related to the Company's business. The Risk Management Committee identified the risks at the organizational level in all major activities and prepared a risk management plan based on acceptable levels of risks in order to supervise risk management and to prevent potential damage or loss of business opportunities.

### 3. *Operation control*

The Company has suitable, adequate efficient and effective operation control and a written operation procedure governing operation in areas with major risks. A control mechanism has been established for prevention and reduction of errors. Performance is reviewed by management and Key Performance Indicators are specified for employees in the entire organization.

The Company has appropriate and adequate internal control in important areas, such as administration, finance, accounting, procurement and human resources management.

### 4. *Information and communications systems*

The Company has information and communications systems which are linked with operations, financial reporting and execution of policies and regulations. Outside information is also linked with executives and users inside the organization in formats which allow the information receivers to perform their duties efficiently and effectively. The information and communications systems are suitable for the business.



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5. *Follow-up and evaluation*

The Company conducts evaluation of internal control and evaluates performance in this area on a continual basis. All lines are required to report the execution under the audit plan and to evaluate performance regularly as part of the normal practice of management, supervisors and others concerned. There is also evaluation conducted by the Internal Control Office under the quarterly and annual audit plans. Advice is also provided by the Company's Auditor as a result of the financial auditing in case deficiencies are found. Procedures for execution and follow-up have been established to ensure that corrective action is taken.

The Audit Committee reviewed the internal control system which had been appraised by the Internal Audit Department and did not find any significant deficiencies, which conformed to the opinion of the Company's Auditor. The Company's internal control system is therefore adequate, efficient and effective.

The Internal Audit office, as well as DIA International Auditing, which audited the 2009 financial statements, provided their opinion that no significant deficiencies with regard to storage of important documents and the Company's internal control system were found.

At the meeting of the Company's Board of Directors, Session 1/2009, the Board appraised the efficiency of the internal control systems (details as in attachment 3) and resolved that the Company presently has an adequate internal control system. The Board did not find any significant deficiencies with regard to the internal control system. The Company has an efficient internal control system which has been improved based on recommendations made by the Independent Internal Auditor for the benefit of the Company's administration.



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## 9. Related transactions

### 11.1 Value and outstanding of related transactions and persons that may have conflict of interest

In 2008 and the first quarter of 2009, the Company had following transactions between the persons that might have conflict of interest.

Related person/ juristic person with potential conflict of interest	Relationship	Nature of related transaction	Value of related transaction		Outstanding		Reasonability of the transaction
			2008	2009	As at December 31, 2008	As at December 31, 2009	
1. Grow Yotha Co., Ltd. - contractor and material distributor	- Subsidiary, with the Company currently holding 99.99 percent of the registered capital.	(1.1) The Company					Prinsiri Public Company Limited acquired shares of Grow Yotha Co., Ltd. in order to have this company as one of its business units for material cost control, project development and for enhanced competition potential. The company purchases materials, such as cement, door panels, wooden strips, steel, and floor panels, and hires Grow Yotha Co., Ltd. as one of its construction contractors. Selling prices and construction costs of Grow Yotha Co., Ltd., are similar to those proposed by Grow Yotha Co., Ltd. to other contractors. In fact, the prices of some categories of materials sold to the Company are slightly lower than those quoted for other contractors, as Grow Yotha is the Company's subsidiary. Future material purchases are expected.  The aforementioned accounts payable were incurred by purchases cited above. Grow Yotha Co., Ltd., provides a payment term of 30-60 days, which is a normal trading practice.
		- purchases (construction materials)	254.71	28.35	-	-	
		- purchases (construction)	25.95	15.46	-	-	
		- account payable	-	-	48.98	11.18	
		- retention	-	-	4.59	4.27	
		- guarantee for bank overdraft	-	-	-	-	



Related person/ juristic person with potential conflict of interest	Relationship	Nature of related transaction	Value of related transaction		Outstanding		Reasonability of the transaction
			2008	2009	As at December 31, 2008	As at December 31, 2009	
							<p>Such retention was incurred from employing Grow Yotha Co., Ltd., for construction work such as roofing. The guarantee was received according to the contract at the same rate as that charged to other contractors of the Company as Grow Yotha is the Company's subsidiary. Future transactions are expected</p> <p>The Audit Committee examined that mentioned purchase, account payable and retention transactions and was of the opinion that they were reasonable for normal business of the Company and Grow Yotha Co., Ltd., is the Company's subsidiary.</p> <p>The guarantee for bank overdraft was a transaction in 2006. The Company used a land plot of 247 square wah in Soi Jamjan (currently used as the Company's After-Sale Service Center) as collateral for bank overdraft for Grow Yotha Co., Ltd., in order to increase its liquidity. Since the subsidiary did not have any asset which could be used as collateral for bank overdraft, the Company had to use the land as collateral. This transaction is expected to remain in the future because Grow Yotha is the Company's subsidiary.</p>



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Related person/ juristic person with potential conflict of interest	Relationship	Nature of related transaction	Value of related transaction		Outstanding		Reasonability of the transaction
			2008	2009	As at December 31, 2008	As at December 31, 2009	
		(1.2) Prin Venture Company Limited					<p>The Audit Committee has examined this transaction and was of an opinion that the guarantee for bank overdraft for Grow Yotha Co., Ltd. provided liquidity to the Company's subsidiary which did not possess its own asset for the purpose. In addition, the Company holds 99.99 percent of this subsidiary's shares.</p> <p>The reason used in the consideration of the Audit Committee was similar to the explanation in (1.1) above in terms of material purchase, contractor employment, account payable and retention because Grow Yotha Company Limited and Prin Venture Company Limited are the Company's subsidiaries. Future purchases of materials are expected.</p>
		- purchases (construction materials)	29.75	1.75	-	-	
		- purchases (construction)	8.30	0.77	-	-	
		- account payable	-	-	0.39	0.16	
		- retention	-	-	1.25	0.73	



Related person/ juristic person with potential conflict of interest	Relationship	Nature of related transaction	Value of related transaction		Outstanding		Reasonability of the transaction
			2008	2009	As at December 31, 2008	As at December 31, 2009	
2. Thai Chinda Curtain Company Litimited Distributor of curtains, blinds, wallpapers and furniture	Mr. Santi Kovitchindachai is the authorized Director of this company. He is a brother of Ms. Siriluck Kovitchidachai. At present he holds the Company's shares at 14.5 percent of the paid- up registered capital	(2.1) The Company - purchases (curtain) - Retention - Accounts payable	0.59	1.87	-	-	<p>The Company purchased curtains, blinds and wallpaper from Thai Chinda Curtain Company Limited. The selling prices were similar to those offered by other suppliers. The Company has made purchases from this company for an extended period of time because of products' quality, especially its curtains which are well known for workmanship. In addition product delivery is on time. Therefore, this transaction is expected to be repeated in the future.</p> <p>Accounts payable were incurred by purchases cited the above. Thai Chinda Curtain Company Limited provides 30 – 60 days term of payment, which is a normal business practice. The retention resulted from employing Thai Chinda Curtain Company Limited to produce and install curtains for the</p> <p>Company in accordance with the contract. The amounts were normal and were the same as those received from other vendors because the purchase prices were similar to the market. The Company has purchased goods from this supplier for many years because its products are of good quality and workmanship. The delivery is on time. Therefore purchases are expected to continue in the future and retention transactions will continue to exist.</p> <p>The Audit Committed has examined the transaction and was of the opinion that the purchases, accounts payable and retention were reasonable.</p>
			-	-	-	-	
			-	-	1.25	0.57	



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Related person/ juristic person with potential conflict of interest	Relationship	Nature of related transaction	Value of related transaction		Outstanding		Reasonability of the transaction
			2008	2009	As at December 31, 2008	As at December 31, 2009	
3. Prin Venture Company Limited Real estate developer, housing with land and condominium	Subsidiary company The company currently holds 51.00 percent of the registered capital	((3.1) The Company - Accounts receivable - Short-term loans - Accrued interest receivable - Interest received - Management fee - Other income - Loan guarantee	- - - 18.90 13.69 - -	- - - 5.84 11.86 1.20 -	1.57 155.25 - - - 24.17	0.35 33.15 - - - 7.77	<p>Prin Venture Co., Ltd. is a joint venture company between the Company and Univenture PCL, with a share holdings of 51 and 49 % of the registered capital, respectively. The short-term loan between the Company and Prin Venture Co., Ltd was made to increase liquidity of Prin Venture according to the joint venture contract under which Prin Venture can take out loans not exceeding 500 MB from shareholders in proportion with the share holdings at an interest rate of MLR+2 per year. Since the amount borrowed was lower than the limit, such borrowing transaction is expected to continue.</p> <p>The accrued interest receivable and interest received resulted from the short-term loan above and was in compliance with the joint venture agreement.</p> <p>The Audit Committed is of the opinion that the short-term loan, the accrued interest receivable and the interest received were in proportion with the share holdings in accordance with the joint venture agreement.</p> <p>The loan increased the subsidiary's liquidity and the interest rate charged by the Company was the market rate. The transactions were therefore deemed reasonable and beneficial to the Company and the subsidiary.</p>

Related person/ juristic person with potential conflict of interest	Relationship	Nature of related transaction	Value of related transaction		Outstanding		Reasonability of the transaction
			2008	2009	As at December 31, 2008	As at December 31, 2009	
							<p>The Company's management revenue was in compliance with the joint venture agreement. The management charge was Baht 350,000 per month per project. The sales management fee was 2 percent of sales. Since Prin Venture is the Company's subsidiary, this transaction will appear in the future.</p> <p>The Audit Committed examined the transaction and considered it reasonable by percentage of shareholding; it helped increase liquidity of Prin Venture; the interest was charged at the market rate, and it maximized the benefit to the Company and the subsidiary. The Company's management fee was in compliance with the joint venture agreement. The management charge is 350,000 Baht per month per project. The sales Management fee was 2 percent of sales. Since Prin Venture is the Company's subsidiary, this transaction is likely to exist in the future.</p> <p>Other income of the Company is the charge from the gardening service provided to Prin Venture Company Limited. The fee was similar to general contractors.</p> <p>The Company has teams with knowledge, competency and experience in gardening. Therefore it can provide neat gardening service in accordance with the project's concept. Also, since this is a subsidiary of the Company, this transaction is expected to continue in the future.</p> <p>The Audit Committed was of the opinion that the management fee was in line with the joint venture agreement and other income came from normal business, charged at more or less the market rate. The transactions were therefore reasonable and beneficial to the Company and the subsidiary.</p> <p>The loan guarantee was a transaction in 2005 as deposit guarantee for bank overdraft, aval, long-term loans and letters of guarantee. The loan was guaranteed in proportion with shareholdings in accordance with the joint venture contract. This guarantee is for project development activities of Prin Venture Company Limited. Since this company is the Company's subsidiary, this transaction is expected to continue.</p>



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Related person/ juristic person with potential conflict of interest	Relationship	Nature of related transaction	Value of related transaction		Outstanding		Reasonability of the transaction
			2008	2009	As at December 31, 2008	As at December 31, 2009	
							The Audit Committed was of the opinion that the loan guarantee was in proportion with the shareholdings, in line with the joint venture agreement and made to take out loans for use in the subsidiary's project development activities. The transaction was therefore reasonable and beneficial to the Company and the subsidiary.
4. Ms. Siriluck Kovitchidachai	Director / President of Executive Committee / Managing Director and shareholder, holding 23.24 percent of the paid up registered capital.	(5.1) The Company - Short-term loanax - Interest expense	50.00 0.93	- 4.51	100.00 -	- -	<p>The Company took out a loan from Ms. Siriluck Kovitchidacha and issued a promissory note due in June 2008. In 2007 and the first quarter of 2008, the loan interest was at the rate of 5.00 per annum. This money was for use as the Company's working capital and for buying land. In the future, if the interest to be paid to Ms. Siriluck Kovitchidachai is not at a rate higher than other promissory notes which the Company issues to others, this transaction will continue.</p> <p>The interest expense was incurred by the above mentioned promissory note short-term loan. The rate was lower than those of other promissory notes issued by the Company. The Audit Committee is of an opinion that the short-term loan and the interest expense were normal borrowing and were for the Company's working capital and land buying. In addition, the interest rate was lower than other promissory notes of the Company, which was beneficial to the Company. This benefited the Company. In 2009, the Company made repayment for the whole amount of the loan.</p>



Related person/ juristic person with potential conflict of interest	Relationship	Nature of related transaction	Value of related transaction		Outstanding		Reasonability of the transaction
			2008	2009	As at December 31, 2008	As at December 31, 2009	
5. CN SPR (Thailand) Company Limited	The Company holds shares, representing 99.97 percent of the paid-up registered capital.	(6.1) The Company - Short-term loan - Accrued interest receivable - Interest received	- - 0.96	- - 3.39	56.00 3.04 -	56.00 1.94 -	<p>Prinsiri Public Company Limited established CN SPR (Thailand) Company Limited in order to make this company one of its business units dealing with sales and leasing of property and to enhance its competitiveness. The short-term loan between the Company and CN SPR (Thailand) Company Limited was for increasing the latter's liquidity and for property purchases. Interest was charged at MLR per annum. Since it is the Company's subsidiary, this transaction is expected to continue.</p> <p>The accrued interest receivable and the interest received resulted from the short-term loan and was in line with the normal borrowings.</p> <p>The Audit Committed was of the opinion that the short-term loan, the accrued interest receivable and the interest received were normal borrowing. The loan was made for use as working capital and for land purchases by the subsidiary which is its normal business and is in accordance with the Company's objectives of setting up the business unit. In addition, the interest was charged at the market rate. This transaction was therefore deemed reasonable and beneficial to the Company and the subsidiary.</p>



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## 9.2 Measures or procedures for approval of related transactions

The Board of Directors passed a resolution that related transactions shall be approved by the Audit Committee. Such related transactions must be carried out in the best interest of the Company. Prices of related transactions have to be at market rates which can be compared to those offered by outsiders. The terms of related transactions have to be consistent with normal business practices. An equal opportunity has to be offered to other suppliers to propose their prices for competition.

The Company is required to comply strictly with the laws related to securities and exchange, including the regulations of the Stock Exchange of Thailand with regard to entering into connected transactions or acquisition and disposition of its assets. Persons with vested interest in such transactions have no voting right in such matters and reports have to be made to the Board of Directors for information.

## 9.3 Policy or trend of related transactions

The Company has set a policy toward entering into related transactions in normal business procedures which are transactions happening normally and continually. Conditions are specified in accordance with normal market business practices. Comparisons can be made with prices faced by outsiders, are fair and reasonable and can be verified. The criteria and procedures for related transactions are to be submitted to the Audit Committee for consideration. The Company will also request the Audit Committee Members or an independent expert to examine the transaction and provide an opinion regarding the suitability of the prices and the reasonability of the transaction.

As for future related transactions, such as purchases of curtains, blinds and wallpaper from Thai Chinda Curtain Company Limited, purchases will depend on justifications and the Company's necessity. Payments and reception of compensations between each party will be based on market prices and fair. The Audit Committee will provide an opinion toward such transactions, using market prices of other parties for comparison.

## 9.4 Measures to protect public investors

The Company does not have any policy to provide financial support to related companies except for loan extension which is based on the share holding proportion.

The Company does not have any policy regarding Directors' loans, guarantees by a Director and advances for the Company. The existing Directors' loans and guarantees by a Director shall not increase in the future. However, if an emergency case arises, such transactions must be approved by the Board of Directors on a case-by-case basis.

In case there is a related transaction with a person with potential conflict of interest or with vested interest, the Company's policy is to seek an opinion from the Audit Committee with regard to prices, the rates of compensations, and the necessity and suitability of such transaction. During the voting on the matter, the Directors with vested interest shall not have the voting right. 11.4 In order to protect investors, if in the future there is any related transaction with persons with potential conflict of interest, vested interest or potential future conflict of interest, the Company will arrange the transaction through a meeting of the Board of Directors at which the Audit Committee Members are present. The purpose is to ensure that the transaction is carried out fairly and has a suitable pricing arrangement. In case the Audit Committee is not familiar with the possible related transaction in question, the Company will request an independent expert or the Company Auditor to provide an opinion regarding the transaction, for use in the decision making by the Board of Directors or the shareholders, as the case may be. The Board of Directors is required to comply with the laws related to securities and the Stock Market and the regulations, announcements, orders or requirements of the Stock Exchange of Thailand as well as to fulfill the requirements regarding disclosure of information about connected transactions.

The Company will disclose related transactions in the Notes to Financial Statements which have been audited by the Company's Auditor. The Company's policy is to enter into related transactions only where they are related to the core business. The Company presently has an Audit Committee to examine related transactions, including its internal control system for transparency and investors' confidence.

Moreover, the Company adheres to the principle of reducing all business risks by having a Risk Management Committee in charge of the matter.





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## 10. Risk factors

### 10.1 Risks related to the Company and its business

#### 10.1.1 Risks from fluctuation of construction costs

Construction materials are major raw materials for project development. During the past year, the prices of several key materials rose due to increasing demands coupled with the rising prices of oil and major commodities such as iron ore and copper. Other material prices also increased due to higher transportation costs. When construction costs increase, the Company cannot make sudden price increases; even if prices can be changed, the number of units sold may be affected. Therefore, the volatility of construction material prices could affect the cost structure and thus profitability of the Company.

However, for materials provided by contractors, the contract value already includes the cost of construction and such materials. For materials procured by the Company, since the Company has high bargaining power in its negotiation with suppliers, it can still keep the costs of materials at appropriate levels by planning construction and estimating the quantity of each material for the whole project and by placing orders according to the estimates through its subsidiary.

#### 10.1.2 Risks from building pre-built houses

The Company and its subsidiaries have a policy to develop mostly pre-built houses for sale before offering them to customers. The policy also applies to the development of condominiums of which ownership will be transferred after the construction of the whole project is completed. As the Company does not receive any payment from customers to finance the construction, and as there may be factors affecting customers' buying decisions, it may be exposed to risks of not being able to sell completed houses or slow sales, which will lead to high inventories and affect its liquidity as well as profitability.

However, the Company has a policy to minimize the impact by conducting consumers' behavior before launching projects and planning construction to ensure it is in line with sales volumes. Projects are developed in phases and there are both pre-built and semi pre-built houses in each project offered for sale. Sales promotion campaigns are also launched on a continual basis. The Company is therefore confident that the impact can be reduced to a certain extent.

#### 10.1.3 Risks form the policy regarding land procurement for future project development

The policy of the Company is to buy land with good potential for immediate project development. In other words, the Company does not have a policy to accumulate land (creation of a "land bank") for future development. This is because the Company does not want to bear the burden of cost. However, the increasing competition in the property business, as witnessed by the increasing numbers of projects launched, has led to competition for land in good locations among developers, which might expose the Company to risks resulting from land price increases or from the inability to procure land in such locations which will in turn result in higher costs of project development or in not having land with good development potential.

Nevertheless, the Company has a land procurement plan for project development in each year. As the plan is mapped out well in advance, the Company has ample time to procure land with good potential for development for future projects and can still keep land costs at appropriate levels. Besides, it has long relationships with a large number of land brokers who have done business with the Company continuously for an extended period of time. These land brokers have been selecting land in good locations at appropriate prices for offering to the Company.

## 10.1.4 Risks form commercial banks' credit extension policy

In general, commercial banks have a relatively strict policy with regard to credit extension in order to prevent bad debts. Such policy reflects their prudence in managing the business amidst the risks induced by the global financial crisis. Their concern over the quality of loans and the rising trend of interest rates forecast for 2010 increased the possibility of the customers' failure to take out a housing loan from a commercial bank to settle the outstanding amount due on the ownership transfer date, which might affect the total amount of ownership transfers and thus the Company's profitability.

Because of this particular issue, the Company has been monitoring the general economic situation and the credit extension policy of commercial banks which may affect its operation. Strategies are adjusted in accordance with the changes. Customers are also pre-screened before loan applications are made to commercial banks. In addition, the Company has sought cooperation from commercial banks in speeding up the process for its customers applying for a loan.

## 10.1.5 Risks from intense competition

The Thai economy in the first half of 2009 was still under the effect of the global financial crisis, domestic politics (particularly the events during the Songkran festival in April, 2009), the instability of the coalition government due to the constitution amendment issues, insurgency in the three southern border provinces and the volatile oil prices which were on the rising trend in the last quarter of the year due to the unusual changes of the world climate. These factors continued to impact the Thai economy and inevitably consumers' buying decisions in 2009. However, the government's economic stimulus packages launched under the Thai Khem Kaeng Scheme, the recovery of the economies of the world, particularly that of the United States (which served as a key indicator of the recovery of the Thai economy as well), the speculation about the real estate sector support measure which would terminate on March 28, 2010, and the low-cost housing support policy (known as the BOI-house scheme) induced developers to resume their development expansion. Such trend resulted in more intense competition in the house and condominium markets and would likely affect consumers' buying decisions in 2010. Developers may turn to price competition to influence consumers' decisions.

## 10.2 Other risks

### Risks from the major shareholder holding more than 50% of the shares

As at December 31, 2009, the Kovitchindachai family was the major shareholder of the Company, holding 686,163,071 shares, or 68.27 % of the total number of paid-up registered shares. The holding which accounts for almost three quarters of the total shares gives the group the controlling power over the company and influence over the decision in all Company matters requiring a resolution of the shareholders' meeting. The other shareholders therefore have the risks from not being able to gather sufficient votes for examination and counterbalancing in matters proposed for consideration by the shareholders' meeting by the major shareholders. Such concentrated shareholding by this major shareholder also precludes a business takeover by other persons without the major shareholders' consent despite the prospects seen by the other shareholders for appreciation of the value of the business.

However, four Independent Directors have been appointed to the Board of Directors and an Audit Committee appointed. Counterbalancing therefore exists - to a certain degree.



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## 11. Legal disputes

As of December 2009, the Company had legal cases under court procedure as follows:

### 11.1 Case No.202/2547

Court	: Minburi Provincial Court
Black Case No.	: 20/2547
Case start date	: January 9, 2004
Plaintiff:	Mr Wisit Laohapunrangsri
Defendants	: Miss Sirilak Kovitchaindachai as first defendant and Prinsiri PLC as second defendant
Cause of action	: The plaintiff sued the defendants for defrauding the debtor. This case was caused by a dispute on the right over land in title deed Nos. 1083 and 1084 in Bung Kum district, Bangkok (presently Prinsiri Nuanchan Project ). The plaintiff was the buyer who was entitled to register his right first, but later the defendant entered into a contract of compromise with the land owner and the Court ruled in favor of the land owner for registering the transfer of land ownership to the defendant. The case was final and the first defendant took the court ruling to register the transfer of land ownership on June 27, 2002. Later, the plaintiff sued the land owner at the Civil Court asking the Court to force the land owner to comply with the agreement to sell by transferring the disputed land to the plaintiff. In the court proceedings, it was found that the land owner had not terminated the contract with the first buyer, while the plaintiff as the second buyer had not paid the money due to the land owner and had not complied with other obligations of the contract. The Court therefore dismissed the case on April 18, 2003. Later, on January 9, 2004, the plaintiff brought the case to the Court for a criminal action
Case progress	: Minburi Provincial Court dismissed the case on June 19, 2006 and the plaintiff appealed. The Court of Appeals affirmed the ruling of the Court of First Instance by acquitting the case on August 5, 2009.
Management's opinion	: In this case, land ownership was transferred to the first defendant according to final decision of the Court. Besides, in other cases of litigation with the same cause of action cited by the plaintiff, the Court has dismissed all such cases and, considering the plaintiff's points of argument, it is unlikely that the case will have a significant effect with legal liability on Prinsiri Public Company Limited and its management with Miss Sirilak Kovitchaindachai as the Company's Chief Executive Officer. In addition, the Court of Appeals has affirmed the decision of the Court of First Instance.

### 11.2 Case No.1149/2550 and Red Case No.1605/2551

Case of Court	: Central Administrative Court
Black Case No.	: 1149/2550
Red Case No.	: 1605/2551
Case start date	: June 7, 2007
Complainant	: Prinsiri Public Company Limited
Defendants	: Bangkok Metropolitan Administration as first defendant, Bangkok Governor as second defendant, and Committee of Appeals in Districts of Bangkok and Areas of Provincial Administration under the Building Control Act B.E.2522 as third defendant



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- Cause of action : The complainant brought the case against the three defendants to the Central Administrative Court on June 7, 2007, citing that the first defendant and the second defendant had delayed the issuance of a receipt of the Application Form Kor Thor Mor 6 under Section 39 bis of the Building Control Act B.E.2522 to the complainant. The complainant submitted the Application Form on May 15, 2006 but received a receipt of the Application Form on May 16, 2006, causing the complainant's application for condominium construction to fall under the force of the new city planning law as announced in the Government Gazette of May 16, 2006, with the second defendant ordering an amendment to the receipt to match the new city planning law. The complainant made an appeal to the third defendant who delivered a ruling for the complainant to make amendment and comply with the new city planning law. The complainant therefore brought the case to the Central Administrative Court for a ruling that the first defendant and the second defendant issue a receipt of application form effective May 15, 2006 to the complainant and revoke the order of the second defendant and the ruling of the third defendant.
- Case progress : The Central Administrative Court ruled on November 25, 2008 that the notice of objection by the second defendant and the ruling on the appeal of the third defendant were unlawful and that the second defendant's notice of objection and the third defendant's ruling be revoked with retrospective effect from the date of issuing the notice of objection and the date of the ruling on the appeal, as the case may be. The Committee on the Appeals, the third defendant, then appealed to the Supreme Administrative Court on December 25, 2008 and the Court accepted the appeal.
- Management's opinion : According to the points considered by the Central Administrative Court and the facts of the case, it was clear that the Company had used the land before the Ministerial Regulation on the new city planning law took effect. Therefore, the enforcement should be as stipulated in the old city planning law. Although the case has been brought to the higher court, its ruling should be in favor of the Company as in the Court of First Instance.

### 11.3 Case No.862/2551

- Case of Court : Central Administrative Court
- Black Case No : 862/2551
- Case start date : June 2, 2008
- Complainant : Prinsiri Public Company Limited
- Defendants : Bangkok Governor as first defendant and the Committee of Appeals in Districts of Bangkok and Areas of Provincial Administration under the Building Control Act B.E.2522 as second defendant
- Cause of action : The complainant brought the case against the two defendants to the Central Administrative Court on June 2, 2007, citing that the first defendant as the local competent official under the Building Control Act B.E.2522 issued a receipt of an Application Form Kor Thor Mor 6 under Section 39 bis of the Building Control Act B.E.2522 as requested for the receipt of the application Form on May 10, 2006 prior to the enforcement of the new city planning law which was announced in the Government Gazette on May 16, 2006. Later, officials of the first defendant sent a notice of objection to the complainant to amend the receipt of the application of the complainant to match the new city planning law. The complainant then appealed the order to the second defendant and the second defendant ruled that the complainant make an amendment and comply with the new city planning law. The complainant then brought the case to the Central Administrative Court for revocation of the first defendant and the ruling of the second defendant.

- Case progress : The Central Administrative Court accepted the case on June 2, 2006 for consideration, pending its ruling.
- Management's opinion : Facts and legal points of this case are the same as those of Narathiwas Ratchanakharin Project case, which the Company won. The management is of the opinion that the Company is likely to win this case and, according to legal principles, there should not be negative retroactive effects. The case was therefore brought to the Central Administrative Court. However, it is unlikely to have any significant effect on the Company's administration.

## 11.4 Case No. Sor 697/2551

- Case of Court : Nonthaburi Provincial Court
- Black Case No : Sor 697/2551
- Case start date : May 29, 2008
- Plaintiff : (Special) Colonel Dr. Sawek Tharanat as first plaintiff and party, totaling 21 persons
- Defendant : Prinsiri Public Company Limited as first defendant
- Cause of action : The plaintiffs sued the defendant at Nonthaburi Provincial Court on May 29, 2008 for tort, demanding compensation. The first plaintiff and the others, who reside in Pracha Nives 2 Village, accused the defendant of removing the walls built by the plaintiffs as fence in the area of Soi Samakkhee 58/10 without authority although the walls were built on public land and Nonthaburi Municipality had already issued an order for removal of the structure. The first plaintiff and the others demanded that the defendant rebuild and recondition the walls, prohibiting the defendant from doing anything to remove, destroy or cause any damage to the walls, roads, and utilities within Pracha Nives 2 Village, prohibiting the first defendant from connecting the roads or other utilities of the first defendant with the roads or other utilities in Pracha Nives 2 Village and demanding compensation for the plaintiff at the amount of 403,000 Baht and a fine of 1,000 Baht per person per day from the day following the date of litigation until the walls are rebuilt to the original condition, including court fees and lawyer's fees for the plaintiffs.
- Case progress : The plaintiff and the defendant had a negotiation but could not reach an agreement. The first defendant filed a request for all the disputes to be considered under Civil Black Case No. Sor 1277/2551 of Nonthaburi Provincial Court, since the litigants of the two cases were the same persons, while the points thereof were connected and the evidence was the same. Considering that the two cases were the same and the litigants were practically the same persons, the Court allowed the cases to be considered together under Black Case No. Sor 1277/2551 of this court and the issues of dispute were determined on the day of settlement of issue. The Court fixed the date for examination of witnesses of the plaintiffs and the defendant on March 9, 2010.
- Management's opinion : In this case, from the facts used by the plaintiffs to sue the first defendant, it is apparent that the lawsuit was made without any right for reference under law since the structures demanded by the plaintiffs for the first defendant to rebuild and pay for the damage thereof were on public land and Nonthaburi Municipality had already issued an order to remove them. The management is of the opinion that this case has no grounds for the plaintiff to take legal action and reason to win the case. Therefore, this case is unlikely to have any effect on the Company's administration.



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**11.5 Case No. Sor 1277/2551**

Case of Court	: Nonthaburi Provincial Court
Black Case No.	: Sor1277/2551
Case start date	: September 23, 2008
Plaintiff	: Prinsiri Public Company Limited
Defendant	: (Special) Colonel Dr. Sawek Tharanat, Mrs. Nonglak Sattru, Mr. Pornthem Phalang, Mrs. Sudaporn Chanlertf, defendants 1-4
Cause of action	: The plaintiff sued the four defendants at Nonthaburi Provincial Court on September 23, 2008 for tort, obstruction to the installation of electric poles and water pipes on the roads in Soi Samakkhee 58/10 into the plaintiff's project, demanding damages from the four defendants because they had unlawfully built walls and barriers on public roads in Soi Samakkhee 58/10, obstructing the installation of electric poles and water pipes in Soi Samakkhee 58/10, constituting tort against the plaintiff, disenabling the plaintiff to use public roads in Soi Samakkhee 58/10 and disenabling the installation of electricity poles and water pipes into the housing estate project of the plaintiff, blocking the customers who were buyers of houses in the project from entering the village, causing the buyers to delay the registration of the ownership transfer until the plaintiff could clear the case, causing damage to the plaintiff.
Case progress	: The plaintiff asked the Court for injunction prohibiting the four defendants from obstructing the installation of electric poles and water pipes and the Court issued an injunction as requested by the plaintiff. Later, the Court issued an order allowing the case to be considered under Civil Black Case No. Sor 697/2551 of Nonthaburi Provincial Court and fixed the date for examination of witnesses from the plaintiff and defendants on March 9, 2009.
Management's opinion	: In this case, it is apparent that the legal action was not based on any right under law for reference, because the structures that the plaintiff demanded that the first defendant rebuild and pay for the damage thereof were on public land and Nonthaburi Municipality had issued an order to remove them. The management is of the opinion that this case has no grounds for the plaintiff to sue and there is no reason for the plaintiff to win the case. This case is unlikely to have an effect on the Company's administration.

**11.6 Case No.218/2552**

Case of Court	: Civil Court
Black Case No.	: 218/2552
Case start date	: January 28, 2009
Plaintiff	: 18 Design Company Limited
Defendant	: Prinsiri Public Company Limited
Cause of action	: The plaintiff sued the defendant at the Civil Court under a service agreement, demanding damages amounting to 9,161,589.37 Baht plus interest. In this case, the defendant hired the plaintiff to conduct architectural, engineering, and landscape designs for the defendant in five projects and the plaintiff claimed that the defendant had fail to fully pay professional fees according to the amounts of work that the plaintiff had completed and delivered to the defendant. The defendant did not pay the professional fees to the plaintiff as invoiced. The plaintiff therefore sued the defendant to demand payment from the defendant for the unpaid fees and the said damage.



- Case progress : On the date of mediation, the litigants were not able to reach an agreement and therefore asked for continuous consideration of the case. The Court then fixed the dates for examination of witnesses from the plaintiff and the defendant on 21 – 22 September 2009.
- Management's opinion : The plaintiff and the defendant had hired and provided service as agreed and the defendant had paid professional fees to the plaintiff. However, for the professional fees that the plaintiff claimed unpaid by the defendant, it appeared that the plaintiff failed to do the work completely and correctly at the amounts of work agreed, while the designs delivered for collection of fees in the last installation contained mistakes, not meeting the requirements and legal provisions; the defendant could not use the designs in construction at all. Considering all the facts with the points claimed by the plaintiff, if it can correctly prove the design work performed and delivered by the plaintiff and how much money the defendant owes the plaintiff for professional fees, the defendant would have to pay the amount, which would not be so high as the defendant had continuously paid the professional fees to the plaintiff according to the design work delivered.

## 11.7 Case No.Phor Bor 1172/2552

- Case of Court : Civil Court
- Case No. : Black No. Phor Bor 1172/2552
- Case start date : February 13, 2009
- Plaintiff : Thanyasiri Company Limited
- Defendant : Prinsiri Public Company Limited, Ms. Siriluck Kovitchindachai and Mr. Kwanchai Mongkolkittaveepol, as defendants 1- 3
- Cause of action : The plaintiff sued defendants 1- 3 at the Civil Court for breaching a contract and demanded damages amounting to 128,532,500 Baht plus interest. In this case, the plaintiff and the first defendant entered into a contract for sale of land with structures under an additional condition allowing the first defendant to build and add structures according to the design prescribed by the plaintiff. However, the plaintiff claimed that the first defendant had sold land with structures with agreement to make additions under a condition that the project plan and development method be revised to result in the servitude road surface, an area for use by Prinsiri Privacy housing estate project as the entry road to the structures that the plaintiff agreed to buy from the first defendant, becoming part of the area sold the plaintiff. However, the first defendant did not amend the project design and development methods or transfer the ownership of the said servitude road surface to the plaintiff. The plaintiff therefore sued the first defendant, while the second and third defendants acted as directors and the plaintiff who, as claimed by the plaintiff, had known the facts and should be liable for the case together with the first defendant.
- Case's progress : On the day of mediation on October 7, 2009, the litigants were not able to reach an agreement and therefore asked for continuous consideration. The Court fixed the dates for taking evidence from the plaintiff from August 17 – 18, 2010 and from the defendants on August 19, and 24 – 26, 2010.
- Management's opinion : For this case, the first defendant had fully complied with the contract for sale, both on the transfer of the ownership of land with structures and additions under the plaintiff's design, except for the part of the revision of the project design and development method and the transfer of the ownership of the servitude road surface to the plaintiff, which the first defendant was fully aware that it was legally impossible to do and the first defendant had never said or agreed with the plaintiff, either verbally or in writing, to do such things for the plaintiff; the claims by the plaintiff were baseless, without any supporting evidence.



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**11.8 Case No.1905/2552**

Case of Court	: Central Administrative Court
Black Case No.	: 1905/2552
Case start date	: November 24, 2009
Complainant	: Prinsiri Public Company Limited
Defendant	: Bangkok Metropolitan Administration as first defendant, and Ministry of Finance as second defendant
Cause of action	: The complainant sued the first defendant at the Central Administrative Court in Black Case No.1149/2550 on June 7, 2008 for revocation of an unlawful administrative order, where the Central Administrative Court ruled on November 25, 2008 as Red Case No.1605/551 that the notice of objection of the second defendant and the ruling of third defendant of the case were unlawful and that the said the notice of objection by the second defendant and the ruling by the third defendant be revoked with retrospective effects from the date of the notice of objection and the date of the ruling, as the case may be. The plaintiff cited the ruling of the Central Administrative Court to demand for damages from the first and second defendants for tort amounting to a total of 238,557,169.04.
Management's opinion	: For this case, the lawsuit was for tort under the ruling of the Central Administrative Court, in which the Company won the case, and the administrative order with which the defendants had ordered the Company to comply has caused monetary damage that can be proved, both in terms of the cost of the land which the Company paid to purchase additional land to enable the project to proceed, the fines for the delays that the Company had to pay the customers pending the transfer of ownership under the contract, and the additional burden of interest charged by the bank. Whatever ruling the Administrative Court may have on this case, there will be no negative effects on the Company.



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## 12. Financial position and operating results

### 12.1 Financial Statements

#### 12.1.1 Review reports of the Certified Public Accountants

- (1) Report of the Certified Public Accountant for fiscal years 2009 and 2008

Mrs. Suvimol Krittayakien, Certified Public Accountant No. 2982, of DIA International Auditing, expressed an opinion that the Company's Financial Statements as at 31 December 2009 and 2008 and the operating results of the Company and the subsidiaries were correct, in all material respects, in accordance with generally accepted accounting standards.

- (2) Report of the Certified Public Accountant for fiscal years 2008 and 2007

Mrs. Suvimol Krittayakien, Certified Public Accountant No. 2982, of DIA International Auditing, expressed an opinion that the Company's Financial Statements as at 31 December 2008 and 2007 and the operating results of the Company and the subsidiaries were correct, in all material respects, in accordance with generally accepted accounting standards.

- (3) Report of the Certified Public Accountant for fiscal years 2007 and 2006

Mrs. Vilairat Rojnuckarin, Certified Public Accountant No. 3104, of DIA International Auditing, expressed an opinion that the Company's Financial Statements as at 31 December 2007 and 2006 and the operating results of the Company and the subsidiaries were correct, in all material respects, in accordance with generally accepted accounting standards.





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### 12.1.2 Summary of the financial position and operating results

Summaries of the Balance Sheets, Profit and Loss Statement, the Statement of Cash Flows and Financial Ratios are shown in the tables below.

#### Balance Sheets

	Consolidated financial statements					
	As at December 31, 2007		As at December 31, 2008		As at December 31, 2009	
	MB	%	MB	%	MB	%
Assets						
Current assets						
Cash and cash equivalents	113.20	1.94	66.16	0.93	259.67	4.47
Current investment	43.06	0.74	15.46	0.22	138.39	2.36
Accounts receivable - net	16.17	0.28	2.40	0.03	1.98	0.03
Inventories	4,809.34	82.23	6,472.13	90.59	4,124.28	70.88
Inventories	595.54	10.18	316.99	4.42	167.69	2.88
Total current assets	5,577.31	95.36	6,873.15	96.21	4,692.02	80.65
Non-current assets						
Land and equipment - net	40.79	0.70	38.94	0.55	37.68	0.64
Land held for development	126.53	2.16	126.53	1.77	994.65	17.09
Deposit at bank with commitment	91.64	1.57	85.49	1.20	87.01	1.49
Other non-current assets	12.24	0.21	19.99	0.28	6.71	0.11
Total non-current assets	271.21	4.64	274.95	3.79	1,126.05	19.35
Total assets	5,848.52	100.00	7,144.110	100.00	5,818.07	100.00
Liabilities and shareholders' equity						
Current liabilities						
Bank overdrafts and short-term loans from financial institutions	433.64	7.41	738.58	10.34	327.92	5.63
Short-term loans - promissory notes	295.00	5.04	249.16	3.49	291.85	5.01
Land payable - promissory notes	51.69	0.88	-	-	-	-
Accounts and notes payable	249.19	4.26	202.59	2.84	247.49	4.25
Current portion of long-term liabilities	764.20	13.07	1,346.74	18.85	681.07	11.70
Unrealized installment income	264.67	4.53	387.91	5.43	118.41	2.03
Other current liabilities	224.87	3.84	301.18	4.21	325.87	5.60
Total current liabilities	2,283.25	39.04	3,226.16	45.16	1,992.61	34.24
Non-current liabilities						
Land payable - long-term promissory notes	-	-	-	-	-	-
Liabilities in finance leases	2.12	0.04	4.70	0.07	1.81	1.03
Long-term loans	1,261.04	21.56	1,306.28	18.28	747.86	12.85
Other payables	74.53	0.01	78.77	1.10	68.16	1.7
Total non-current liabilities	1,337.68	0.23	1,389.74	19.45	817.83	14.05
Total liabilities	3,620.93	0.62	4,615.91	64.61	2,801.44	48.30



## Consolidated financial statements

	As at December 31, 2007		As at December 31, 2008		As at December 31, 2009	
	MB	%	MB	%	MB	%
Shareholders' equity						
Registered capital - 670,000,000 common shares, Baht 1 each						
Registered capital - 1,005,000,000 common shares, Baht each	1,340.00		1,340.00		1,005.00	
Registered and paid capital						
- 670,000,000 common shares, Baht 1 each						
- 1,005,000,000 common shares, Baht 1 each	1,005.00	17.18	1,005.00	14.07	1,005	17.27
Premium on share capital	440.21	7.53	440.21	6.16	440.21	7.56
Retained earnings						
Appropriated legal reserve	58.24	1.00	73.84	1.03	100.50	1.71
Unappropriated	670.41	11.46	940.22	13.16	1,397.45	24.03
Unrealized profit from exchange rate	0.30	0.01	0.18	0.00	0.15	0.00
Minority interest	53.43	0.91	68.90	0.96	64.31	1.10
Total shareholders' equity	2,227.58	38.09	2,528.19	35.39	3,007.62	51.70
Total liabilities and shareholders' equity	5,848.52	100.00	7,144.11	100.00	5,818.07	100.00



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## Profit and Loss

	Consolidated financial statements					
	Fiscal year 2007		Fiscal year 2008		Fiscal year 2009	
	MB	%	MB	%	MB	%
<b>Revenue</b>						
Sales of real estate	2,523.84	96.65	3,471.67	79.39	4,321.59	87.88
Sales of land	-	-	827.00	18.91	555.65	11.30
Sales of goods	61.62	2.36	30.26	0.69	20.58	0.42
Other income	25.78	0.99	43.95	1.00	19.63	0.40
<b>Total revenues</b>	2,611.24	100.00	4,372.88	100.00	4,917.45	100.00
<b>Expenses</b>						
Cost of sales of real estate	1,935.38	74.12	2,641.04	60.40	3,338.72	67.89
Cost of sales of land	-	-	739.03	16.90	531.57	10.80
Cost of sales of goods	54.55	2.09	27.71	0.63	17.83	0.36
Selling and administrative expenses	461.36	17.67	431.87	9.88	348.23	7.08
Directors' remuneration	1.85	0.07	1.55	0.04	1.14	0.02
<b>Total expenses</b>	2,453.14	93.95	3,841.20	87.84	4,237.49	86.17
Profit before interest expenses and income tax	158.11	6.05	531.68	12.16	679.95	13.82
Interest expenses	6.69	0.26	63.17	1.44	41.93	0.85
Income tax	63.49	2.43	137.48	3.14	158.71	3.22
Profit before minority interest	87.92	3.37	331.03	7.57	479.30	9.74
Minority interest	(9.9)	(0.3)	(15.47)	(0.35)	(4.58)	(0.09)
<b>Net profit</b>	77.98	2.99	315.56	7.22	483.89	9.84
Basic earnings per share net profit						
Weighted average number of common shares	0.09		0.33		0.48	
<b>Net profit</b>	895,780,822		1,005,000,000		1,005,000,000	

## Statements of Cash Flows

	Consolidated financial statements (Baht)		
	2007	2008	2009
Cash flows from operating activities			
Profit (loss) before income tax	151,412,219.68	468,514,596.09	638,018,945.29
Adjustment net profit to cash receipt (disbursement) from operating activities			
Profit from temporary investment	(12,011,485.54)	0.00	
Profit from temporary investment	(1,398,445.80)	(1,375,341.94)	(169,746.62)
Profit from selling assets	(1,403,872.93)	(26,998.00)	(124,210.53)
Depreciation	12,472,473.93	14,210,316.82	12,057,802.46
Corporate income tax for the previous year	0.00	0.00	568,123.03
Reversal of allowance for doubtful accounts	(2,370,095.72)	(3,729,915.54)	0.00
Doubtful accounts	6,973,568.96	5,511,436.86	126,907.90
Bad debt	2,215,042.71	3,621,820.82	0.00
Loss from disused of assets	100,567.61	99,369.67	344,708.80
Loss from revision of condominium design	0.00	42,733,050.10	0.00
Estimated fines for construction delay	0.00	0.00	30,920,524.75
Loss from impairment of assets	0.00	7,000,000.00	0.00
Interest expense	6,693,928.24	63,169,787.76	41,932,145.52
Profit (loss) from operating activities before changes of operating assets and liabilities	162,683,901.14	599,728,122.64	723,675,200.60
(Increase) Decrease in changes in part of operation			
Accounts receivable	7,277,678.79	8,372,893.05	288,456.09
Inventories	(730,606,156.62)	(1,533,743,955.42)	1,588,605,265.46
Other current assets	(444,981,395.90)	260,896,004.68	152,828,039.25
Other non-current assets	(6,382,837.71)	2,903,650.20	13,274,619.35
(Increase) Decrease in changes in part of operation assets	(1,174,692,711.44)	(1,261,571,407.49)	1,754,996,380.15
Increase (Decrease) in changes in part of operating liabilities			
Land payable - notes payable	(64,167,000.00)	(51,686,000.00)	0.00
Accounts and notes able	19,891,688.37	(46,598,400.26)	44,903,481.23
Unrealized installment income	186,685,270.00	123,239,056.85	(269,500,007.85)
Other current liabilities	41,160,023.93	84,386,483.34	(8,881,782.63)
Increase (Decrease) in changes in part of operating liabilities	183,569,982.30	109,341,139.93	(233,478,309.25)



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	Consolidated financial statements (Baht)		
	2007	2008	2009
Net cash provided by (used in) operating activities	(828,438,828.00)	(552,502,144.92)	2,245,193,271.50
Cash paid for interest	(123,641,532.88)	(288,028,287.62)	(154,667,411.73)
Cash paid for income tax	(121,177,993.00)	(92,474,545.95)	(155,218,290.44)
Net cash provided by (used in) operating activities	(1,073,258,353.88)	(933,004,978.49)	1,935,307,569.33
Cash flows from investing activities			
Cash paid for purchase of current investment	(550,659,500.00)	(545,872,747.32)	(273,950,000.00)
Cash received from sales of current investment	536,279,257.51	574,572,645.00	151,856,566.02
Loans to subsidiaries (additional)	0.00	0.00	0.00
(Increase) Decrease in deposit with commitment	19,168,572.12	10,382,393.07	(12,129,778.84)
Cash paid for purchase of land held for development	0.00	0.00	0.00
(Increase) Decrease in deposit with commitment	(57,000,000.00)	0.00	0.00
Cash paid for purchase of land held for development	1,401,869.16	27,000.00	566,178.40
Cash paid for purchase of office equipment and supplies	(12,229,406.08)	(4,265,167.38)	(12,642,570.71)
Net cash provided by (used in) investing activities	(63,039,207.29)	34,844,123.37	(146,299,605.13)
Cash flows from financing activities			
Increase (Decrease) in bank overdrafts and short-term loans from financial institutions			
Increase (Decrease) in short-term loans			
Increase (Decrease) liabilities in finance leases	105,966,961.84	304,938,372.09	(281,931,196.44)
Increase (Decrease) in long-term loans			
Cash received from increase common shares	(35,546,700.00)	(45,834,200.00)	42,684,200.00
shares from minority interest	(1,029,407.10)	(2,970,078.48)	(4,148,924.45)
Cash flows from financing activities	735,729,513.64	625,136,688.64	(1,351,549,506.10)
Increase (Decrease) in bank overdrafts and short-term loans from financial institutions	502,500,000.00	0.00	0.00
Increase (Decrease) in short-term loans			
Increase (Decrease) liabilities in finance leases	11,637,500.00	0.00	0.00
Increase (Decrease) in long-term loans			
Dividend paid to minority interest	(426.00)	(720.00)	(2,700.00)
Dividend paid	(180,900,000.00)	(30,150,000.00)	0.00
Net cash provided by (used in) financing activities	1,138,357,442.38	851,120,062.25	(1,594,948,126.99)
Net increase (decrease) in cash and cash equivalents			
Net cash provided by (used in) financing activities	2,059,881.21	(47,040,792.87)	193,514,537.21
Cash and cash equivalents as at January 1	111,144,891.32	113,204,772.53	66,163,979.66
Cash and cash equivalents as at December 31	113,204,772.53	66,163,979.66	259,678,516.87

## Financial Ratios

Particular	Consolidated financial statement		
	2007	2008	2009
<b>LIQUIDITY RATIO</b>			
Liquidity ratio (Times)	2.44	2.13	2.35
Quick ratio (Times)	0.08	0.03	0.28
Receivable turnover ratio - real estate (Times)	87.46	287.99	1972.91
Collection days - real estate (Days)	4.12	1.25	0.18
Inventory turnover (Times)	0.46	0.47	0.73
Average number of days sales (Days)	785.37	760.91	500.00
Account payable turnover (Times)	6.38	10.49	14.83
Payment days (Days)	56.39	34.31	24.61
Cash Cycle (Days)	733.10	727.84	524.79
<b>PROFITABILITY RATIO</b>			
Gross profit margin - real estate (%)	23.32	23.93	22.74
Gross profit margin - construction materials (%)	11.48	8.44	13.33
Operating profit margin (%)	6.12	15.18	13.88
Net profit margin (%)	2.99	7.22	9.79
Return on equity (%)	3.87	13.27	17.10
<b>EFFICIENCY RATIO</b>			
Return on total assets (%)	1.52	4.86	7.40
Return on fixed asset (%)	38.08	116.41	42.56
Asset turnover (Times)	0.51	0.67	0.75
<b>FINANCIAL POLICY RATIO</b>			
Debt to Equity ratio (Times)	1.63	1.83	0.93
Interest payment ratio (Times)	23.62	8.41	11.44
Dividend Payment (%)	38.66	9.55	0.00



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## 12.2 Management discussion and analysis

### 12.2.1 Analysis of the operating results

#### Overview of the past performance

During 2009, drastic political changes, the recession of the global and Thai economies, concern over the domestic political situation and instability of the world economy, all of which were factors affecting the Thai economy, caused consumers to be cautious in their spending. However, the economic stimulus packages launched by the government led by Prime Minister Abhisit Vejjajiva, particularly the measures taken to stimulate the property sector to be effective until March 28, 2010, served to intensify competition in the residential property development industry.

The main revenues of the Company and the subsidiaries (over 98 %) came from real estate sales. In 2007, the Company's revenues totaled 2,523.84 MB. In 2008, the revenues from real estate sales totaled 3,471.67 MB, and in 2009, the total figure was 4,321.59 MB, representing growth rates of 37.55 % and 24.48 %, respectively. The growth was attributed mainly to the expediting of the construction work for completion as scheduled, and to the government economic stimulus measures which included reduction of the tax rate and ownership transfer fee, with effect from March 31, 2008 and extended to March 28, 2010. The government measures were effective in stimulating buying decisions of customers with purchasing power and buying decisions were made more quickly for entitlement to the incentives. Also, in 2008 the Company had extra income of 827.00 MB from sales of land on which no development projects were planned in the near future. In 2009, the revenue growth was due to the ownership transfers at the Complete, Ratchaprarop and the Pride, Pattaya Projects. Revenues from these two projects accounted for 39.28 % of the total revenues from real estate sales and 34.71 % of the Company's total revenues. The Company also generated increased revenues from horizontal residence projects and the tax and transfer fee reductions, which were factors favorably affecting the Company's growth in 2009. In the same year, there was also extra revenue of 555.65 MB from the sales of land on which no development projects were planned in the near future.

Gross profits from real estate sales were on an increasing trend. From 2007 to 2009, gross profits totaled 588.46 MB, 921.15 MB and 1,009.68 MB, respectively. The gross profit margin rose by 56.53 % and 9.6 % in 2008 and 2009, respectively. The main reasons were because the revenue increased in a larger proportion than the sales costs and effective control of sales costs, particularly through introduction of cost-saving new technologies.

In 2009, the Company and the subsidiaries launched three new projects, bringing the total number of projects available for sale. As at December 31, 2010 to 23, the project values totaled 15,332.83 MB, and the values of sales (for which sales contracts had been made) in 2008 totaled 2,055.58 MB, or 13.40 % of the total project value.

#### **A. Revenue**

The Company's main revenues came from sales of real estates (housing estates and residential condominiums). In 2007, 2008, and 2009, the Company and the subsidiaries generated revenues from real estate sales, totaling 2,523.84 MB, 3,471.67 MB, and 4,321.59 MB, respectively, increasing by 37.55 % and 24.48 %, respectively. Revenues from real estate sales in 2007 decreased because of the economic recession, and rising oil prices, interest rates and the inflation rate, as well as political uncertainty, all of which reduced consumers' confidence, which resulted in their lower spending and hesitation when making a real estate buying decision. The fall in revenues also resulted from the Company's strict product quality control criteria. The increase in revenue in 2008 resulted from the Company's expediting of the construction work for completion as scheduled, and the government's economic stimulus packages which included tax and transfer fee reduction from March 31, 2008. The incentives were effective in stimulating consumers who had purchasing power and who were looking for a house to make a decision more quickly in order to be entitled to the benefits. In fact, the real estate development industry

has been on a continuously increasing trend despite the negative factors which had impacted it. This was probably due to the demands which remained strong and consistent. The revenue increase in 2009 was attributed mainly to the ownership transfers at the Complete Ratchaprarop and the Pride Pattaya Condominium Projects. The revenues from these two projects accounted for 39.28 % of the revenues from real estate sales and 34.71 % of the Company's total revenues. Expediting construction for completion as scheduled and the extension of the economic stimulus measures of the government also sped up consumers' buying decision making process.

The policy of the Company and the subsidiaries is to recognize revenues from real estate sales after delivery of the goods (i.e. after ownership transfer). Money is therefore received from the customers after completion of the construction. Construction time of different projects varies, depending on the types of project, the size, the design, etc. Construction of a house takes 6-7 months; construction of townhouses and home offices (using the brick laying method) takes 7-8 months for each row and 3-4 months if the tunnel form work method is used. Construction of a condominium building takes 11-24 months. Hence, there may be a certain degree of volatility of quarterly revenues, depending on the types of project being developed.

Revenues of the companies categorized by type of products (detached houses, town homes and condominiums) in 2007 and 2008 were as shown below:

Revenue	Operator	2007		2008		2009	
		Consolidated financial statements		Consolidated financial statements		Consolidated financial statements	
		MB	%	MB	%	MB	%
Detached house – upper market	Prinsiri	121.22	4.64	123.50	2.82	85.50	1.73
Detached house – middle market/ Semi detached house	Prinsiri/Prin Venture	1,321.88	50.62	1,238.29	28.32	1,280.62	26.04
Townhouse/Home Office	Prinsiri/Prin Venture	1,080.74	41.39	2,107.52	48.20	1,246.53	25.34
Condominium	Prinsiri	-	-	2.29	0.05	1,708.94	34.75
Land	Prinsiri	-	-	827	18.91	555.63	11.29
Total revenue from property sales	Prinsiri/Prin Venture	2,523.84	96.65	4,298.60	98.30	4,877.22	99.18
Revenue from goods sales	Grow Yotha Group	61.62	2.36	30.26	0.69	20.58	0.41
Other revenues	Company/ Subsidiaries	25.78	0.99	43.95	1.00	19.63	0.4
Total revenue		2,611.24	100.00	4,372.81	100.00	4,917.43	100.00

Notes: Sales prices of detached house – upper market are from 7 MB.

Sales prices of detached house – middle market are 3-7 MB.



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In 2007, 2008, and 2009, the Company generated revenues from upper market detached houses totaling 121.22 MB, 123.50 MB, and 85.49 MB, respectively, increasing by 1.88 % and decreasing by 30.77 %, respectively. This was due to the launch of the Siritawara Oriental Project, which was a two-story detached house project for the upper market. The project is located in an area of 30-2-44 rai on Pradit Manutham Road. The value of this 67 unit project was 1,151.94 MB.

The Company and the subsidiaries generated 1,321.88 MB, 1,238.29 MB and 1,280.62 MB from middle market detached house/semi-detached house sales in 2007, 2008 and 2009, respectively, decreasing by 6.32 % and increasing by 3.41 %, respectively. The slight increase in the revenues from sales of detached houses/semi-detached houses was because consumers became more cautious due to the drastic political changes, the economic slowdown, and the volatile oil prices. The Company did not launch any new detached houses in 2009. However, the Company's detached houses, particularly those under Prinsiri Projects, were for middle to high income earners and had higher unit prices than those of Prinyada Projects. The total revenues recognized from middle market attached houses therefore increased only slightly in that year.

Revenues from sales of town houses/home offices in 2007, 2008 and 2009 totaled 1,080.74 MB, 2,107.52 MB and 1,246.53 MB, respectively, representing an increase of 95 % and a decrease of 40.85%, respectively. The decrease of recognized revenue in 2009 resulted from the economic situation in the first half of the year and the consequences of the political situation and the economic slowdown. Also, the large amount of revenues recognized in 2008 resulted in a limited quantity of goods available for sale in the first half of 2009. During the last quarter, three new projects were launched in response to the economic recovery.

The Company began to generate income from sales of condominiums in 2009, totaling 1,708.94 MB, which was the largest revenue amount, compared to the revenues from detached houses and town homes. The revenue from condominium sales in 2009 accounted for 34.75 % of the total revenue of 2009 because during the year there were ownership transfers under the Complete Ratchaparop and the Pride Pattaya condominium projects, totaling 1,602 MB in value.

Sales of construction materials through Gro Yotha Group Company Limited, a subsidiary which supplies materials mainly to the Company and its contractors, totaled 61.62 MB, 30.26 MB and 20.58 MB in 2007, 2008 and 2009, respectively, decreasing by 57.58 % and 31.98 %, respectively. The decrease in 2008 resulted from the preparation of the consolidated financial statements. In 2008 and 2009, Gro Yotha Group Company Limited sold construction materials to the Company and the subsidiaries. The related transactions were eliminated in the preparation of the consolidated financial statements.

In 2009, apart from the revenues from real estate and other products sales, the Company and the subsidiaries also had income from sales of vacant land on which development projects were not planned in the near future, totaling 555.63 MB and from the reservation money from customers who failed to enter into a sales agreement with the Company as scheduled, installments paid by customers who stopped the payments without contacting the Company and fines for construction delay from the contractors. Such revenues, however, were not major incomes of the Company and the subsidiaries.

#### **B. Cost of sales**

The cost of sales of the real estate business consists of land, land development costs, construction costs, expenses relating to the projects and interest expenses. The real estate cost of sales of the Company and the subsidiaries in 2007, 2008 and 2009, totaled 1,935.38 MB, 2,641.04 MB and 3,338.72 MB, representing 76.68 %, 76.07 % and 77.25 % of the revenues from real estate sales, respectively.



Although the Company and the subsidiaries managed to control the costs of land, land development and construction, expenses relating to the projects and interest expenses in 2007 at levels close to those in 2006, the slowdown of the real estate market in 2007 intensified competition in the industry. Several operators priced their products in 2008 lower than 2006 in response to lower purchasing power of consumers and to accelerate consumers' buying decision amidst the economic slowdown. The Company and the subsidiaries had to price 2008 products at levels lower than 2006 as well. As a result, the ratio of real estate cost of sales to revenues from real estate sales in 2007 rose. In 2008, the cost of sales decreased by 49 % because the Company increased sales prices and controlled costs more effectively, in a move to avoid risks during the time of economic uncertainty. In 2009, the cost of sales of the Company increased slightly due to intense competition in the industry, rendering it impractical for the Company to increase prices as it needed to induce consumers to choose its products. Besides, in order to control the cost of sales on the part of construction costs, the Company during 2009 adopted a new construction technique - the tunnel form work - for construction of town homes and the pre-fabrication technique for construction of condominiums under the brand "Smart". The new construction techniques enabled the Company to lower construction costs, compared to the traditional brick-laying method. Major components of the costs of sales of the Company and the subsidiaries are variable costs (costs of land, construction, expenses relating to the projects and interest expenses). The reason for the higher ratio of costs of sale was because the prices of most construction materials increased and the current soft market situation.

The cost of sales was from the sales of construction materials by Gro Yotha Group Company Limited, which is a subsidiary of the Company. The sales amounts were sales to the Company and its contractors, which totaled 54.55 MB, 27.71 MB and 17.84 Mb in 2007, 2008 and 2009 , respectively, representing 88.52 %, 91.42 % and 86.66 % of the revenues from sales, respectively. The ratio of cost of sales to the revenues from sales increased because the costs of construction materials in early 2009 decreased due to the impact of the global economic condition.

## C. Selling and administrative expenses

Selling and administrative expenses of the Company and the subsidiaries in 2007, 2008 and 2009 totaled 463.20 MB, 433.41 MB and 349.37 MB, respectively, decreasing by 6.43 % and 19.40 %, respectively. The proportions of selling and administrative expenses to total revenues, in 2007, 2008 and 2009 were 17.67 %, 10 % and 7.13 %, respectively. The major items of selling and administrative expenses from 2007 were advertisement and sales promotion which increased along with the launches of more new projects; wages, salaries and bonuses which increased along with the increasing number of employees which was in line with business expansion; and after-sale service expenses which increased due to the increasing number of new projects launched by the Company and the subsidiaries. The selling and administrative expenses of the Company and the subsidiaries decreased because the Company and the subsidiaries had increased income from real estate and from sales of vacant land in an amount of 827 MB. The proportion in 2008 decreased because the Company did not advertise as much as in 2007-2008. As no new projects were launched early in the year, no advertisement expenses were incurred. In addition, the Company underwent a restructuring exercise which resulted in considerable cost reduction.



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**D. Profit**

Gross profits of the Company in 2007, 2008 and 2009 were 588.46 MB, 830.63 MB and 982.87 MB, respectively. Profit margins increased by 41.15 % and 18.32 %, respectively, and the ratios of profit to revenue were 23.32, 23.93 and 22.74, respectively, due mainly to the increases of the prices of construction materials and the slowdown of the real estate industry, as well as more intense competition. As prices could not be increased to reflect the rising costs, the Company's gross profit margins declined.

The Company and the subsidiaries had net profit of 77.98 MB, 331.03 MB and 479.30 MB in 2007, 2008 and 2009, respectively. Net profit margins for the years were 2.99 %, 7.22 % and 9.79 %, respectively. The reasons for the increases of net profit margins were as described in A. Revenue, B. Cost of sales and C. Selling and administrative expenses. In 2008 and 2009, the Company benefited from the government's real estate sector stimulus measures in terms of reduced taxes and increased net profit.

**E. Return on equity**

In 2007, 2008 and 2009, the Company and the subsidiaries had return on equity at the rates of 3.87 %, 13.92 %, and 17.10 %, respectively. The rate in 2007 dropped considerably because of significant decreases of revenues and profit in that year as described in A. Revenue and D Profit. Also, in 2007, the Company offered 355 million ordinary shares, with a par value of one Baht each, to the existing shareholders at a ratio of two existing ordinary shares to one new share at an offer price of 1.50 Baht. The Company's current paid-up capital is therefore 1,005 MB, increasing from 670 MB. In 2008 and 2009, the return on equity increased because the Company benefited from the government's real estate sector stimulus measures, resulting in decreased tax, and thus increased net profit and return on equity.

**12.2.2 Analysis of the financial position****Assets**

Total assets of the Company and the subsidiaries at the end of 2007, 2008 and 2009 stood at 5,848.52 MB, 7,144.10 MB and 5,818.07 MB, respectively. As of December 31, 2009, total assets, which consisted of current and non-current assets, had the values of 4,692.02 MB and 1,126.04 MB, or 80.64 % and 19.36 % of the total assets, respectively. Most of the Company's assets were inventories. As at December 31, 2009, the Company and the subsidiaries had 4,124.27 MB inventories, 70.88 % of total assets. Inventories decreased considerably in 2009 due to transfers of ownership of the Complete Ratchaprarop and the Pride Pattaya Condominium Projects.

**Current investment**

All of the current investment of the Company and the subsidiaries was in open end fund - debt securities because the Company at times had excess liquidity and invested money to earn income. As at the end of 2008 and 2009, the Company and the subsidiaries had investment in open end funds - debt securities totaling 15.45 MB and 137.85 MB, respectively. Investment was made in open end funds - debt securities for convenience in liquidity management.



## Accounts receivable-net

As at the end of 2007, 2008 and 2009, the Company and the subsidiaries had accounts receivable - net totaling 16.17 MB, 2.40 MB, and 1.98 MB, respectively. In 2009, the decrease in accounts receivable were mostly due to accounts receivable 1-90 days overdue which dropped by 17.34% from 2008 and were accounts receivable of Gro Yotha Group Company Limited. However, as at December 31, 2009, the Company and the subsidiaries increased the allowance for doubtful accounts, resulting in a decrease of the accounts receivable - net. Details of accounts receivable as at the end of 2007, 2008 and 2009 are shown in the table below:

Accounts receivable details	As at December 31, 2007	As at December 31, 2008	As at December 31, 2009
In due	1,689,212.32	788,971.22	1,637,528.97
1 – 90 days overdue	3,040,645.17	1,476,537.83	795,557.70
91–180 days overdue	5,652,479.51	0.00	0.00
181–360 days overdue	6,697,043.82	496,190.69	0.00
360 days overdue	7,030,590.20	9,353,557.41	9,393,714.39
Total	24,109,971.02	12,115,257.15	11,826,801.06
Less allowance for doubtful accounts	7,935,593.11	9,717,114.43	9,844,022.33
Accounts receivable - net	16,174,377.91	2,398,142.72	1,982,788.73

The Company and subsidiaries have a policy to make a provision for doubtful accounts based on the estimates of expected bad debts and past debt repayment records. As at the end of 2007, 2008 and 2009, total doubtful accounts of the Company and the subsidiaries increased by 7.94 MB, 9.72 MB and 9.84 MB, respectively. Management attaches importance to following up on such accounts receivable. In 2007 and 2008, the Company revised the system of payment for construction supplies to Gro Yotha Group Company Limited as cited earlier. An allowance for doubtful accounts would be provided for doubtful debts in order to reflect actual values in the financial statements. The allowance for doubtful accounts were considered insignificant when compared to the Company's total revenue, accounting for 0.30 %, 0.22 % and 0.20 % as at the end of 2007, 2008 and 2009, respectively.

The Company and the subsidiaries had accounts receivable which were more than 360 days overdue of 7.03 MB, 9.35 MB, and 9.39MB at the end of 2007, 2008 and 2009, respectively. The accounts receivable were debtors for construction supplies of Gro Yotha Group Company Limited as cited above. Management presently attaches importance to management of accounts receivable, having imposed a clear policy regarding credit limits, aging and prosecution to force the debtors to repay the debts. Revision was also made to the payment of the installations to construction contractors, enabling the Company to deduct the cost of supplies sold by Gro Yotha Group Company Limited to the contractors from the amounts to be paid to them by the Company.

Payments of projects currently in operation

As at December 31, 2009, the cumulative amounts due from debtors by installment method totaled 8,820.53 MB, accounting for 83.81 % of the value of projects sold. Of this, the cumulative amount of payments totaled 8,812.53 MB, or 83.73 % of the cumulative amounts due, with the cumulative outstanding amounts totaling 8.00 MB, or 0.07 % of the cumulative amounts due. The amounts not yet due totaled 1,703.84 MB, or 16.8 % of the value of projects sold. Details are shown in the table below:



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Table showing details of payments under projects in operation as at December 31, 2009

โครงการ	Value sold (MB)	Cumulative payment due		Cumulative payment		Cumulative outstanding		Balance not yet due	
		MB	Percentage of value sold	MB	Percentage of value sold	MB	Percentage of value sold	MB	Percentage of value sold
Prinsiri Nawamin	697.32	697.32	100.00	697.32	100.00	0.00	0.00	0.00	0.00
Prinyada Jamjan	148.64	148.64	100.00	148.24	99.73	0.40	0.27	0.00	0.00
Siritawara Oriental	887.16	867.46	97.78	867.46	97.78	0.00	0.00	19.70	2.22
Prinyada Teparak Phase 1	339.21	339.21	100.00	339.21	100.00	0.00	0.00	0.00	0.00
Prinyada Teparak Phase 2	301.44	301.44	100.00	301.44	100.00	0.00	0.00	0.00	0.00
The Pulse Ladprao 44 Condominium	320.85	320.85	100.00	320.85	100.00	0.00	0.00	0.00	0.00
Prinyada Kanchanapisek	320.85	320.85	100.00	320.85	100.00	0.00	0.00	0.00	0.00
The Complete Ratchaprarp	1,602.39	1'598.19	99.74	1'598.19	99.74	0.00	0.00	4.20	0.26
The Complete Narathiwas	375.18	37.32	9.95	36.42	9.71	0.90	0.24	337.86	90.05
Bridge Phaholyothin	311.05	30.56	9.82	28.53	9.17	2.03	0.65	280.49	90.18
Prinyaluck Light Rama V	779.22	739.17	94.86	739.17	94.86	0.00	0.00	40.05	5.14
Prinyada Light Rama V	484.02	476.64	98.48	476.64	98.48	0.00	0.00	7.38	1.52
Prinyaluck Light Samakkhi	552.49	552.49	100.00	552.49	100.00	0.00	0.00	0.00	0.00
Prinyada Samakkhi	498.88	441.24	88.45	441.24	88.45	0.00	0.00	57.64	11.55
Smart Condo Rama II	502.84	38.58	7.67	36.31	7.22	2.77	0.45	464.26	92.33
The Pride Pattaya Condominium Building B	119.19	113.20	94.97	113.04	94.84	0.16	0.13	5.99	5.03
Baan Prin Watcharaphon (Town houses)	210.70	167.12	79.32	166.58	79.06	0.54	0.26	43.58	20.68
Prinyada Outer Ring Road (Bangbon)	523.25	397.68	76.00	396.89	75.85	0.79	0.15	125.57	24.00
Baan Prin Watcharaphon (shop houses)	68.09	51.18	75.17	51.08	75.02	0.10	0.15	16.91	24.83
Six Nature Kalpraluk	177.20	5.41	3.05	4.80	2.71	0.61	0.34	171.79	96.95
Six Nature Watcharaphon (shop houses)	91.43	0.79	0.86	0.79	0.86	0.00	0.00	90.64	99.14
Six Nature Watcharaphon (town houses))	3.35	0.02	0.30	0.02	0.60	0.00	0.00	3.33	99.40
Northern Prime Phase 1	432.69	426.99	98.68	426.99	98.68	0.00	0.00	5.70	1.32
Northern Nova	509.51	505.25	99.16	505.25	99.16	0.00	0.00	4.26	0.84
The Northern Prime Exclusive	12.74	0.20	1.57	0.20	1.57	0.00	0.00	12.54	98.43
Total	10,524.37	8,820.53	83.81	8,812.53	83.73	8.00	0.07	1,703.84	16.18

Table showing details of cumulative outstanding as at December 31, 2009

(Unit: MB)

Project name	Cumulative outstanding		1-30 days overdue	31-60 days overdue	61-90 days overdue	More than 90 days overdue
	Number of cases	Amount	Amount	Amount	Amount	Amount
Prinyada Jamjan	1	0.40				0.40
Prinyada Kanchanapisek	1	0.20	0.20			
The Complete Narathiwas	11	0.90				0.90
Bridge Phaholyothin 37	34	2.03				2.03
Smart Condo Rama II	75	2.26	0.14	0.02	0.02	2.09
The Pride Pattaya Condominium Building B	1	0.17				0.17
Baan Prin Watcharaphon (town houses)	2	0.54	0.08	0.20	0.20	0.06
Prinyada Outer Ring Road Bangbon)	3	0.80	0.25			0.54
Baan Prin Watcharaphon (shop houses)	1	0.10		0.10		
Six Nature Kalprapluk	9	0.61	0.42	0.19		
Total	138	8.00	1.09	0.51	0.22	6.19

**Note:** Data were collected by installment method and ownership was not yet transferred to the debtors. The outstanding amounts shown in the table are different from the outstanding account figures in the Notes to the Financial Statements which are recorded based on recognition upon work completion and ownership transfer. As the methods of data collection are different, the outstanding accounts shown in this table are higher than those stated in the Financial Statements.

## Inventories

As at the end of 2007, 2008 and 2009, inventories of the Company and the subsidiaries totaled 4,809.34 MB, 6,472.13 MB, and 4,124.27 MB, respectively, increasing by 34.57 % and decreasing by 36.27 % , respectively. Inventories tended to increase along with the increases of the numbers of projects of the Company and the subsidiaries. Also, the policy of selling pre-built houses and recognition of revenue upon ownership transfer resulted in increased inventories of the Company and the subsidiaries. Details of the inventories at the end of 2007, 2008 and 2009 are shown in the table below:

Details	As at December 31, 2007	As at December 31, 2008	As at December 31, 2009
Finished goods			
- houses for sale	79,829,263.90	48,879,537.38	180,824,944.01
- Construction supplies	1,416,865.78	894,735.68	914,717.71
Land and land development	2,283,083,469.24	3,521,223,940.64	1,902,846,135.03
Work in process	2,237,706,065.25	2,631,142,869.39	1,833,261,024.48
Expenses relating to projects	34,070,418.49	42,256,503.91	36,880,870.32
Deferred interest	128,711,540.03	227,737,426.93	164,653,541.20
Deferred remuneration on right for using land	0.00	0.00	4,897,738.42
Total	4,453,445,362.40	6,472,135,013.93	4,124,278,971.17



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Finished goods in inventories were houses for sale and construction supplies. As of December 31, 2008, part of the inventories of the Company and the subsidiaries, totaling 296.20 MB, was two condominium buildings in a project which were ordered by the Public Works Department, Chatuchak District Office, Bangkok Metropolitan Administration, to correct the unpermitted building modification and construction. Therefore, the Company halted the construction of the condominium buildings pending approval by the Public Works Department, Chatuchak District Office, Bangkok Metropolitan Administration. On March 12, 2008, the Company submitted an application for building modification and construction, and a permit was granted on December 15, 2008.

As at December 31, 2008, the Company estimated the contingent loss if the Public Works Department ordered the Company to change the condominium building plan. The Company thus had to amortize properties foreclosed for a changed building plan as expenses in the amount of 25.45 MB, correcting the design of building expenses in the amount of 5.90 MB and other expenses in the amount of 5.00 MB, totaling 36.35 MB, which is presented as loss on correction of plan in the Statement of Income under the caption "other expenses" and compensation including interest from cancellation of contracts to be paid to customers amounting to 6.38 MB as estimated fines from the delay of work in the Statement of Income under the caption "other expenses", bringing the total damage amount to 42.73 MB.

In 2009, the Company estimated fines from delay of work amounting to 30.92 MB since the ownership of condominium units in the Bridge and the Complete Narathiwas Project was not transferred as scheduled. The estimated fines from delay are presented in the Statement of Income under the caption "other expenses".

The Company does not have to make a provision for impairment of assets because it has hired an SEC- approved independent valuation firm to appraise the values of land and buildings of the Company and the subsidiaries available for sale. The appraised prices were higher than the procurement costs. For details, please see Item 5.1 Company assets.

#### Land and equipment-net

As at the end of 2007, 2008 and 2009, the Company and the subsidiaries had 40.79 MB, 38.94 MB, and 37.68 MB of land and equipment-net, decreasing by 4.54 % and 3.23 %, respectively. Details of land and equipment-net as at the last day of 2007, 2008 and 2009 are shown in the following table:

Details	As at December 31, 2007	As at December 31, 2008	As at December 31, 2009
Land	3,279,342.43	3,279,342.43	3,279,342.43
Building and construction	2,196,710.00	2,196,710.00	2,196,710.00
Machinery and equipment	2,370,059.66	2,490,036.63	2,740,478.93
Office furniture	8,062,698.78	8,062,698.78	8,071,038.88
Office supplies	19,121,782.14	19,929,936.10	19,082,437.49
Computer	22,801,301.59	30,251,739.74	30,106,819.27
Vehicles	27,779,622.81	31,654,202.81	30,241,545.34
Tunnel Form	0.00	0.00	9,728,990.58
Work in process	0.00	0.00	269,519.50
Total	85,611,517.41	97,864,666.49	105,716,882.42
Accumulated depreciation	44,818,402.31	58,920,991.80	68,035,950.89
Land and equipment – net	40,793,115.10	38,943,674.69	37,680,931.53

## Land held for development

As at the end of 2007, 2008 and 2009, the Company and the subsidiaries had 69.53 MB, 126.53 MB, and 994.64 MB of land held for development, respectively. In 2008, the Company and the subsidiaries had land held for development in the amount of 126.53 MB, increasing from the end of 2007 by 81.98 %. The large increase was due to the purchase of land on Soi Pattaya 12, Pattaya-Naklua Road, Tambon Nongprue, Banglamung District, Chonburi Province, with an area of 10-2-56.50 rai by CN SPR (Thailand) Co., Ltd., which is a subsidiary. The land is still held for development. In 2009, the Company had a large increase in land held for development due to the reverse of land item in inventories, as the Company still did not have a policy to develop projects on the land. For details about land held for development, please see Item 6. Future projects, under Land held for development.

## Deposits at banks with commitment

As at the end of 2007, 2008 and 2009, the Company and the subsidiaries had deposits at banks with commitment, totaling 91.64 MB, 85.50 MB, and 87.01 MB, respectively, decreasing by 6.7 % and increasing by 1.76 %, respectively. The slight increase in 2007 was because the Company withdrew deposits without commitment for use as working capital. Deposits with commitment were deposits which the Company and the subsidiaries were obliged to deliver after a village committee of each project had been established. The amount of deposits increased with the amount of revenue recognized as customers were obliged to pay maintenance fees before a juristic person was established.

## Liquidity

### Cash flows from operating activities

In 2007, the Company and the subsidiaries had cash flows used in operating activities amounting to 1,073.26 MB. The Company and the subsidiaries received the cash flows of 77.99 MB from net profit, 12.47 MB from depreciation, 6.97 MB from doubtful accounts, 2.22 MB from bad debts, 9.94 MB from minority interest, 7.28 MB from the decreases in trade accounts and notes receivable, 19.89 MB from the increases in trade accounts and notes payable, 186.69 MB from unrealized installment income, and 78.15 MB from current liabilities. The decrease in cash flows from operating activities was due to 2.37 MB reversal of allowance for doubtful accounts, 12.01 MB other revenues, 884.55 MB increases in inventories, 444.98 MB other current assets, 6.38 MB other non-current assets, 64.17 MB land payable-notes payable and 57.69 MB accrued corporate income tax.

In 2008, the Company and the subsidiaries had cash flows used in operating activities totaling 933.0 MB. Cash flows were received as follows: 331 MB from net profit, 14.21 MB from depreciation, 3.62 MB from bad debts, and 42.733 MB from reversal of loss from revision of condominium design. The decrease in cash flows from operating activities was due to the 1,533 MB increase in inventories and the 288 MB interest expenses.

In 2009, the Company and the subsidiaries had 1,935.30 MB cash flows provided by operating activities. The subsidiaries had cash flows of 638.01 MB from profit before corporate income tax. The increase in cash flows from operating activities resulted from the 1,588.60 MB decrease in inventories. Disbursement from operating activities was from interest expenses tax, and accounts and notes payable.

### Cash flows from investing activities

In 2007, the Company and the subsidiaries had net cash flows provided by investing activities amounting to 63.04 MB. The Company paid 12.23 MB for purchases of office equipment and supplies and 57.00 MB for land held for development.

In 2008, the Company and the subsidiaries had net cash flows provided by investment activities amounting to 34.84 MB, with the main cash received from sales of current investment and deposits with commitment.

In 2009, the Company and the subsidiaries had net cash flows used in investing activities amounting to 146.29 MB, with cash paid for purchases of current investment and office equipment.



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Cash flows from financing activities

In 2007, the Company and the subsidiaries had increased cash flows from financing activities amounting to 1,138.36 MB. Cash flows were provided by 735.73 MB long-term loans, 105.97 MB bank overdrafts and short-term loans from financial institutions, 502.50 MB cash received from the payment of common shares, and reception of payments for common shares of 11.64 MB from minority interest. Meanwhile, cash flows used in dividend paid amounted to 180.90 MB.

In 2008, the Company and the subsidiaries had net cash flows provided by financing activities amounting to 851.12 MB. 305 MB was provided by bank overdrafts and short-term loans and 625.13 MB by long-term loans. Dividend paid amounted to 30 MB.

In 2009, the Company and the subsidiaries had net cash flows used in financing activities amounting to 1,594.94 MB, with 1,351.54 MB cash paid for long-term loans.

Net cash flows

At the end of 2007, 2008 and 2009, the Company and the subsidiaries had net cash flows of 113.20 MB, 66.16 MB and 260.22 MB, respectively, decreasing by 41.55 % and increasing by 293.31 %, respectively.

Liquidity ratios

The liquidity ratios for 2007, 2008, and 2009 were 2.44, 2.13 and 2.35 times, respectively. The quick ratios for the same years were 0.08, 0.03 and 0.29 times, respectively. Both the liquidity ratio and the quick ratio for 2009 increased due to the decrease in the Company's current assets and inventories, particularly the decrease in inventories following the transfers of ownership in the Complete Ratchaprarop Project. For details about inventories, please refer to 12.2.2 Analysis of the financial position in the inventories section.

**Capital expenditure**

In 2005 and 2006, the Company and the subsidiaries had capital expenditure totaling 173.69 MB and 63.32 MB, respectively. In 2005, the Company invested in Gro Yotha Group Company Limited to be engaged in construction and sales of construction supplies, holding 99.99 % of the registered capital. The 32 MB investment was to make Gro Yotha Group Company Limited a business unit of the Company in order to control the costs of construction materials used in the development of Company projects and to enhance the Company's competitiveness. Investment was also made in open end funds - debt securities, as the Company had excess liquidity then; hence investment was made to earn income. During the year, net purchases and sales totaled 139.14 MB. The Company also entered into a joint venture agreement with Univenture Public Company Limited to establish Prin Venture Co., Ltd. to be engaged in real estate development, holding 51.00 % of the registered capital. In that year, the Company's investment in Prin Venture Co., Ltd. totaled 2.55 MB.

In 2006, the Company made another 36.34 MB payment for the registered capital of Prin Venture Co., Ltd. and had current investment in open end funds - debt securities, with most of the investment money coming from Gro Yotha Group Company Limited. During the year, net purchases and sales of open end funds - debt securities totaled 26.98 MB

In 2007, the Company made another 12.11 MB payment for the registered capital of Prin Venture Co., Ltd. in proportion with its shareholding, resulting in the 100.00 MB registered capital of Prin Venture Co., Ltd. being fully paid-up. The Company also established CN SPR (Thailand) Co., Ltd. to be engaged in trading and leasing property, holding 99.99 % the 2 MB paid-up registered capital. The Company and the subsidiaries also had current investment in open end funds - debt securities, with most of the investment money coming from Gro Yotha Group Company Limited. During the year, net purchases and sales of open end funds - debt securities totaled 16.07 MB.

In 2008, the Company and the subsidiaries had a sale of open end funds-debt securities totaling 27.6 MB.

In 2009, the Company and the subsidiaries invested 137.85 MB in open end funds - debt securities to manage liquidity



## Sources of capital

### Liabilities

As at the end of 2007, 2008 and 2009, the Company and the subsidiaries had liabilities totaling 3,620.93 MB, 4,615.91 MB, and 2,810.44 MB, respectively, increasing by 27.47 % and decreasing by 39.11 %, respectively.

The increase in total liabilities in 2007 was due to the increase in current liabilities. Bank overdrafts and short-term loans from financial institutions increased by 105.97 MB from the previous year; trade accounts and notes payable increased by 7.88 MB; long-term loans increased by 764.20 MB; unrealized installment income increased by 186.67 MB; retentions increased by 30.08 MB; and accrued expenses increased by 87.30 MB. The increases in liabilities resulted from the use of money in purchasing land and in development of projects of the Company and the subsidiaries for sale as in the previous year. However, during this year, short-term loans and promissory notes decreased by 35.55 MB, payments to land payable and promissory notes decreased by 12.48 MB, and payment of corporate income tax decreased by 57.69 MB. Payment of other current liabilities decreased from the previous year by 39.17 MB.

The increase in total liabilities in 2008 resulted mainly from the increases in both current and non-current liabilities. Bank overdrafts and short-term loans from financial institutions increased from the end of 2007 by 304.94 MB. Long-term loans increased from the end of 2007 by 582.55 MB. Unrealized installment income increased from the end of the previous year by 123.24 MB. Accrued expenses increased by 10.35 MB. The increases in liabilities were used in buying land and developing projects of the Company and the subsidiaries. However, trade accounts and notes payable decreased from 2007 by 46.6 MB. Other liabilities decreased by 7.01 MB from the end of 2007.

The decrease in liabilities in 2009 resulted largely from the decrease in short-term loans by 1,076.31. Current liabilities decreased by 1,235.55 MB and long-term loans from financial institutions decreased by 558.427 MB. Non-current liabilities decreased by 1,805.47 MB.

### Shareholders' equity

As at the end of 2007, 2008 and 2009, shareholders' equity (not including minority interest) stood at 2,174.16 MB, 2,459.29 MB, and 2,943.31 MB, respectively, increasing by 13.11 % and 19.68 %, respectively.

In 2007, by a resolution of the 2007 shareholders' meeting on February 23, 2007, dividends were paid for the operation in 2006 at the rate of 0.27 Baht per share, totaling 180.90 MB. Payment of the dividends was made on April 19, 2007. The Company and the subsidiaries had an increase of profit by 77.98 % MB.

In 2008, the Board of Directors' Meeting, Session 1/2008 and the 2008 shareholders' meeting on April 22, 2008, respectively, resolved to pay dividends to the shareholders for the 2007 operation, at the rate of 0.03 Baht, totaling 30.15 MB. Payment of the dividends was scheduled for May 22, 2008. The Company and the subsidiaries had an increase of profit by 331.59 MB.

In 2009, the Board of Directors' Meeting, Session 1/2009 and the 2009 shareholders' meeting, on April 22, 2009 resolved to not pay dividends.

### Appropriateness of the capital structure

At the end of 2007, 2008 and 2009, the Company and the subsidiaries had debt to equity ratios of 1.63 times, 1.83 times and 0.93 times, respectively. The 2008 ratio increased from that of 2007 because the Company and the subsidiaries took out additional loans for use in purchasing land and developing projects. In 2009, ownership of the Complete Ratchaprarop Condominium was transferred, resulting in a decrease in total liabilities as the project was of a considerable size. The project was financed by commercial banks and the Company progressively repaid the loans after transferring ownership to individual customers.



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A debt to equity ratio considered appropriate for companies in the industry should not exceed 1.00 time. The Company's ratio is still in line with the industry value. Additional liabilities may be secured for project expansion. The Company aims not to let the ratio exceed 1.2 times so as to prevent risks on the parts of the Company and the investors.

#### **12.2.3 Factors and influences which may potentially affect the operation or the financial position in the future** **Changing consumers' housing demands**

Several factors, including the political situation, the economic slowdown, oil prices, increasing interest rates, low consumer confidence, and unemployment may affect housing demands. If that happens, the Company may not be able to sell its goods, or sales may be slower, which will result in high inventory costs and will affect its liquidity and profitability.

Nevertheless, the Company's commitment to product and service excellence which underlies the slogan "The Art of Family Living" has brought about acceptance and trust from consumers for the brand "Prinsiri". To minimize such possible impact, the Company conducts research and studies consumers' behavior before developing projects to ensure that its products most directly respond to consumers' requirements. Construction is planned to be in line with sales estimates and is carried out in phases. Hence, if products cannot be sold or if sales become slower, the Company can slow down or even halt the construction. The Company also launches marketing promotion campaigns on a continual basis in order to create brand awareness, to induce demands for the products and to remind consumers of the products. Such campaigns also build confidence in the products and strengthen the Company's image.

### **12.3 Auditor's remuneration**

The Company and the subsidiaries paid 1.35 MB, 1.63 MB and 1.71 MB as remunerations to the auditors in the 2007, 2008 and 2009 accounting periods, respectively. No other remunerations than the auditing fee were paid by the Company and the subsidiaries.







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## AUDITOR'S REPORT

To The Shareholders of  
PRINSIRI PUBLIC COMPANY LIMITED

(1) I have audited the consolidated balance sheets of PRINSIRI PUBLIC COMPANY LIMITED AND SUBSIDIARIES and the separate balance sheets of PRINSIRI PUBLIC COMPANY LIMITED as at December 31, 2009 and 2008, the related consolidated statements of income and separate statements of income, consolidated statements of changes in shareholders' equity and separate statements of changes in shareholders' equity, and consolidated statements of cash flows and separate statements of cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

(2) I conducted my audits 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 statements presentation. I believe that my audit provides a reasonable basis for my opinion.

(3) In my opinion, the consolidated financial statements and the separate financial statements referred to above present fairly, in all material respect, the consolidated financial position of PRINSIRI PUBLIC COMPANY LIMITED AND SUBSIDIARIES and the separate financial position of PRINSIRI PUBLIC COMPANY LIMITED as at December 31, 2009 and 2008, and the results of their and its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Office of D I A International Auditing



(Mrs. Suvimol Krittayakiern)

C.P.A. (Thailand)

Registration No. 2982

February 8, 2010

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## BALANCE SHEETS

PRINSIRI PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
AS AT DECEMBER 31, 2009 AND 2008

		Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	<i>Note</i>	2009	2008	2009	2008
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	259,678,516.87	66,163,979.66	193,516,219.92	28,825,683.24
Current investment	7	138,396,939.76	15,457,345.70	135,790,745.30	0.00
Trade accounts receivable - net	8	1,982,778.73	2,398,142.72	352,270.00	1,579,360.00
Loans to related companies - promissory notes	9	0.00	0.00	89,150,000.00	211,254,200.00
Inventories	10	4,124,278,971.17	6,472,135,013.93	3,985,740,517.76	6,056,881,969.20
Other current assets					
Deposit for goods		67,120,132.86	143,949,041.24	67,100,108.91	140,333,695.70
Deposit for land - net		43,598,370.00	101,800,000.00	43,598,370.00	90,200,000.00
Advance payment for land		0.00	45,293,212.62	0.00	45,293,212.62
Revenue Department receivable		33,230,063.60	0.00	32,119,373.60	0.00
Others		23,739,463.63	25,953,951.59	19,512,144.25	31,025,092.10
<b>Total current assets</b>		<b>4,692,025,236.62</b>	<b>6,873,150,687.46</b>	<b>4,566,879,749.74</b>	<b>6,605,393,212.86</b>
<b>Non-current assets</b>					
Investment in subsidiaries	11	0.00	0.00	85,000,000.00	85,000,000.00
Land and equipment - net	12	37,680,931.53	38,943,674.69	36,293,481.43	37,069,473.79
Land held for development	13	994,645,190.87	126,533,625.00	937,645,190.87	69,533,625.00
Pledged deposits at bank	14	87,010,349.77	85,492,653.67	70,489,030.84	67,976,363.07
Other non-current assets					
Deposits and retentions		6,711,530.89	9,339,297.41	6,487,290.89	8,939,127.41
Withholding tax - prior year		18.17	10,646,871.00	0.00	0.00
<b>Total non-current assets</b>		<b>1,126,048,021.23</b>	<b>270,956,121.77</b>	<b>1,135,914,994.03</b>	<b>268,518,589.27</b>
<b>Total assets</b>		<b>5,818,073,257.85</b>	<b>7,144,106,809.23</b>	<b>5,702,794,743.77</b>	<b>6,873,911,802.13</b>

Notes to financial statements are parts of these financial statements.

## BALANCE SHEETS (Continued)

PRINSIRI PUBLIC COMPANY LIMITED AND SUBSIDIARIES

AS AT DECEMBER 31, 2009 AND 2008

		Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	Note	2009	2008	2009	2008
Liabilities and shareholders' equity					
Current liabilities					
Overdrafts and short - term loans					
from financial institutions	15	327,920,674.58	738,578,021.02	327,687,493.08	738,160,305.56
Short - term loans - promissory notes	16	291,850,000.00	249,165,800.00	260,000,000.00	100,000,000.00
Trade accounts and notes receivable	17	247,493,917.23	202,590,436.01	246,828,778.87	217,772,042.56
Unrealized installment income		118,412,219.00	387,912,226.85	118,142,219.00	386,318,626.85
Current portion of long - term liabilities	18	681,071,001.51	1,346,738,106.44	681,049,215.61	1,346,609,945.94
Other current liabilities					
Deposit received from sales of land	13	10,000,000.00	0.00	0.00	0.00
Accrued income tax		71,395,178.33	63,812,347.71	71,168,903.34	58,395,456.43
Contractor retention		127,298,500.40	147,189,824.48	116,699,050.19	126,074,005.51
Accrued expenses		107,720,387.65	78,869,204.23	105,811,799.03	75,806,099.49
Others		9,456,298.54	11,312,728.13	8,993,925.48	9,603,076.20
Total current liabilities		1,992,618,177.24	3,226,168,694.87	1,936,381,384.60	3,058,739,558.54
Non-current liabilities					
Liabilities under financial lease agreement	19	1,812,487.46	4,698,763.08	1,812,487.46	4,676,977.18
Long - term loans - net	20	747,858,400.00	1,306,277,300.00	747,858,400.00	1,306,277,300.00
Other payables	14	68,156,094.51	78,768,177.25	57,303,203.74	63,673,003.98
Total non-current liabilities		817,826,981.97	1,389,744,240.33	806,974,091.20	1,374,627,281.16
Total liabilities		2,810,445,159.21	4,615,912,935.20	2,743,355,475.80	4,433,366,839.70

Notes to financial statements are parts of these financial statements.



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## BALANCE SHEETS (Continued)

PRINSIRI PUBLIC COMPANY LIMITED AND SUBSIDIARIES

AS AT DECEMBER 31, 2009 AND 2008

		Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	Note	2009	2008	2009	2008
Liabilities and shareholders' equity (Continued)					
Shareholders' equity					
Share capital					
Authorized share capital					
1,005,000,000 common shares					
of Baht 1 each					
		1,005,000,000.00		1,005,000,000.00	
1,340,000,000 common shares					
of Baht 1 each					
	21		1,340,000,000.00		1,340,000,000.00
Issued and paid-up share capital					
1,005,000,000 common shares					
of Baht 1 each					
	21	1,005,000,000.00	1,005,000,000.00	1,005,000,000.00	1,005,000,000.00
Premium on share capital					
		440,212,400.00	440,212,400.00	440,212,400.00	440,212,400.00
Unrealized gain on change in investment valuation					
		150,035.65	18,922.57	124,823.23	0.00
Retained earnings					
Appropriated					
Legal reserve					
	22	100,500,000.00	73,840,000.00	100,500,000.00	73,840,000.00
Unappropriated					
		1,397,454,661.56	940,223,335.23	1,413,602,044.74	921,492,562.43
Total shareholders' equity of the Company		2,943,317,097.21	2,459,294,657.80	2,959,439,267.97	2,440,544,962.43
Minority interest		64,311,001.43	68,899,216.23	0.00	0.00
Total shareholders' equity		3,007,628,098.64	2,528,193,874.03	2,959,439,267.97	2,440,544,962.43
Total liabilities and shareholders' equity		5,818,073,257.85	7,144,106,809.23	5,702,794,743.77	6,873,911,802.13

Notes to financial statements are parts of these financial statements.



## STATEMENTS OF INCOME

PRINSIRI PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

		Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	Note	2009	2008	2009	2008
<b>Revenues</b>					
Sales of real estate		4,321,592,516.00	3,471,668,685.00	3,934,889,796.00	2,631,539,325.00
Sales of land		555,653,500.00	826,999,362.50	555,653,500.00	826,999,362.50
Sales of goods		20,583,677.44	30,265,029.42	0.00	0.00
<b>Total revenues</b>		<b>4,897,829,693.44</b>	<b>4,328,933,076.92</b>	<b>4,490,543,296.00</b>	<b>3,458,538,687.50</b>
<b>Cost of sales</b>					
Cost of sales of real estate		3,338,729,091.58	2,641,037,092.87	3,007,161,952.13	1,949,559,145.90
Cost of sales of land		531,573,521.98	739,029,551.78	531,573,521.98	739,029,551.78
Cost of sales of goods		17,839,534.85	27,711,265.99	0.00	0.00
<b>Total cost of sales</b>		<b>3,888,142,148.41</b>	<b>3,407,777,910.64</b>	<b>3,538,735,474.11</b>	<b>2,688,588,697.68</b>
Gross profit		1,009,687,545.03	921,155,166.28	951,807,821.89	769,949,989.82
Other income					
Management income		0.00	0.00	11,862,997.42	22,087,368.11
Interest income		231,426.56	517,998.58	9,353,583.80	23,147,684.31
Dividend income	11	0.00	0.00	44,997,300.00	11,999,280.00
Remuneration income on transfer of right	23	0.00	22,429,906.54	0.00	22,429,906.54
Cancellation of agreements income		5,824,450.00	8,801,220.00	5,164,450.00	7,310,220.00
Other income		13,584,076.26	12,197,262.55	14,261,854.11	11,831,131.83
Total other income		19,639,952.82	43,946,387.67	85,640,185.33	98,805,590.79
Profit before expenses		1,029,327,497.85	965,101,553.95	1,037,448,007.22	868,755,580.61
Selling expenses		(93,123,961.77)	(127,868,879.55)	(85,701,942.04)	(111,613,524.91)
Administrative expenses		(188,280,175.85)	(218,416,036.34)	(171,406,001.02)	(195,339,112.34)
Directors' remuneration		(1,143,000.00)	(1,550,000.00)	(1,143,000.00)	(1,550,000.00)
Management benefit expenses		(35,561,338.50)	(30,346,491.30)	(35,561,338.50)	(30,346,491.30)
Other expenses					
Reversed allowance for doubtful accounts		0.00	3,729,915.54	0.00	50,000.00
Doubtful accounts		(126,907.90)	(5,511,436.86)	0.00	0.00
Bad debts		0.00	(3,621,820.82)	0.00	0.00
Loss on disused of assets, disposal of assets		(220,498.27)	(99,370.67)	(219,504.75)	(99,370.67)
Loss on impairment of assets		0.00	(7,000,000.00)	0.00	(7,000,000.00)
Estimated fines from delay of work	10	(30,920,524.75)	(6,383,684.05)	(30,920,524.75)	(6,383,684.05)
Loss on correct of condominium plan	10	0.00	(36,349,366.05)	0.00	(36,349,366.05)
Total other expenses		(31,267,930.92)	(55,235,762.91)	(31,140,029.50)	(49,782,420.77)
<b>Total expenses</b>		<b>(349,376,407.04)</b>	<b>(433,417,170.10)</b>	<b>(324,952,311.06)</b>	<b>(388,631,549.32)</b>
Profit before finance costs and interest expenses		679,951,090.81	531,684,383.85	712,495,696.16	480,124,031.29
Finance costs - interest expenses		(41,932,145.52)	(63,169,787.76)	(36,328,486.50)	(47,851,555.78)
Profit before income tax		638,018,945.29	468,514,596.09	676,167,209.66	432,272,475.51
Income tax		(158,713,134.14)	(137,478,034.75)	(157,397,727.35)	(120,346,625.75)
Net profit		479,305,811.15	331,036,561.34	518,769,482.31	311,925,849.76
Attributable to :					
Equity holders of the parent		483,891,326.33	315,563,908.34	518,769,482.31	311,925,849.76
Minority interest		(4,585,515.18)	15,472,653.00	0.00	0.00
		479,305,811.15	331,036,561.34	518,769,482.31	311,925,849.76
Basic earnings per share					
Profit (Loss) per share - Equity holders of the parent		0.48	0.31	0.52	0.31
Weighted average number of common share (shares)		1,005,000,000	1,005,000,000	1,005,000,000	1,005,000,000

Notes to financial statements are parts of these financial statements.



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## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

PRINSIRI PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

		Consolidated financial statements (Baht)						
		Issued and	Premium on	Unrealized gain	Retained earnings (Deficit)		Minority	Total
	Note	paid-up	share capital	on change in	Appropriated	Unappropriated	interest	
		share capital		investment	Legal reserve			
				valuation				
Balance as at								
January 1, 2008		1,005,000,000.00	440,212,400.00	295,423.25	58,240,000.00	670,409,426.89	53,427,299.81	2,227,584,549.95
Appropriated during the period -								
legal reserve	22	0.00	0.00	0.00	15,600,000.00	(15,600,000.00)	0.00	0.00
Dividend paid	24	0.00	0.00	0.00	0.00	(30,150,000.00)	0.00	(30,150,000.00)
Dividend paid - minority interest	24	0.00	0.00	0.00	0.00	0.00	(720.00)	(720.00)
Unrealized gain on change in								
investment valuation		0.00	0.00	(276,500.68)	0.00	0.00	(16.58)	(276,517.26)
Net profit for the year		0.00	0.00	0.00	0.00	315,563,908.34	0.00	315,563,908.34
Increase (Decrease) in minority								
interest for the year		0.00	0.00	0.00	0.00	0.00	15,472,653.00	15,472,653.00
Balance as at								
December 31, 2008		1,005,000,000.00	440,212,400.00	18,922.57	73,840,000.00	940,223,335.23	68,899,216.23	2,528,193,874.03
Appropriated during the period -								
legal reserve	22	0.00	0.00	0.00	26,660,000.00	(26,660,000.00)	0.00	0.00
Dividend paid - minority interest		0.00	0.00	0.00	0.00	0.00	2,700.00	2,700.00
Unrealized gain on change in								
investment valuation		0.00	0.00	131,113.08	0.00	0.00	0.00	131,113.08
Net profit for the year		0.00	0.00	0.00	0.00	483,891,326.33	0.00	483,891,326.33
Increase (Decrease) in minority								
interest for the year		0.00	0.00	0.00	0.00	0.00	(4,590,914.80)	(4,590,914.80)
Balance as at								
December 31, 2009		1,005,000,000.00	440,212,400.00	150,035.65	100,500,000.00	1,397,454,661.56	64,311,001.43	3,007,628,098.64

Notes to financial statements are parts of these financial statements.

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

PRINSIRI PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

		Separate financial statements (Baht)					
	Note	Issued and paid-up share capital	Premium on share capital	Unrealized gain on change in investment valuation	Retained earnings (Deficit)		Total
					Appropriated Legal reserve	Unappropriated	
Balance as at January 1, 2008		1,005,000,000.00	440,212,400.00	0.00	58,240,000.00	655,316,712.67	2,158,769,112.67
Appropriated during the period -							
legal reserve	22	0.00	0.00	0.00	15,600,000.00	(15,600,000.00)	0.00
Dividend paid	24	0.00	0.00	0.00	0.00	(30,150,000.00)	(30,150,000.00)
Net profit for the year		0.00	0.00	0.00	0.00	311,925,849.76	311,925,849.76
Balance as at December 31, 2008		1,005,000,000.00	440,212,400.00	0.00	73,840,000.00	921,492,562.43	2,440,544,962.43
Appropriated during the period -							
legal reserve	22	0.00	0.00	0.00	26,660,000.00	(26,660,000.00)	0.00
Unrealized gain on change in							
investment valuation		0.00	0.00	124,823.23	0.00	0.00	124,823.23
Net profit for the year		0.00	0.00	0.00	0.00	518,769,482.31	518,769,482.31
Balance as at December 31, 2009		1,005,000,000.00	440,212,400.00	124,823.23	100,500,000.00	1,413,602,044.74	2,959,439,267.97

Notes to financial statements are parts of these financial statements.



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## STATEMENTS OF CASH FLOWS

PRINSIRI PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
Cash flows from operating activities				
Profit (loss) before income tax	638,018,945.29	468,514,596.09	676,167,209.66	432,272,475.51
Adjustment net profit to cash receipt (disbursement)				
from operating activities				
Gain on sales of current investment	(169,746.62)	(1,375,341.94)	(127,188.09)	112,547.32
Gain on sales of asset	(124,210.53)	(26,998.00)	(125,204.05)	(26,998.00)
Depreciation of assets	12,057,802.46	14,210,316.82	11,380,452.09	13,524,388.52
Corporate income tax - prior year	568,123.03	0.00	0.00	0.00
Reversed allowance for doubtful accounts	0.00	(3,729,915.54)	0.00	(50,000.00)
Doubtful accounts	126,907.90	5,511,436.86	0.00	0.00
Bad debts	0.00	3,621,820.82	0.00	0.00
Loss on terminated assets	344,708.80	99,369.67	344,708.80	99,369.67
Loss on correct of condominium plan	0.00	36,349,366.05	0.00	36,349,366.05
Estimated fines from delay of work	30,920,524.75	6,383,684.05	30,920,524.75	6,383,684.05
Loss on impairment of assets	0.00	7,000,000.00	0.00	7,000,000.00
Interest expenses	41,932,145.52	63,169,787.76	36,328,486.50	47,851,555.78
Profit (loss) from operation before changes in operating assets and liabilities				
(Increase) Decrease in part of operating assets	723,675,200.60	599,728,122.64	754,888,989.66	543,516,388.90
Trade accounts receivable				
Inventories	288,456.09	8,372,893.05	1,227,090.00	2,156,648.00
Other current assets	1,588,605,265.46	(1,533,743,955.42)	1,311,890,674.15	(2,000,202,755.92)
Other non-current assets	152,828,039.25	260,896,004.68	144,522,003.66	295,475,749.44
(Increase) Decrease in assets from operation	13,274,619.35	2,903,650.20	2,451,836.52	(1,450,797.99)
สินทรัพย์จากการดำเนินงาน (เพิ่มขึ้น) ลดลง	1,754,996,380.15	(1,261,571,407.49)	1,460,091,604.33	(1,704,021,156.47)

Notes to financial statements are parts of these financial statements.

## STATEMENTS OF CASH FLOWS (Continued)

PRINSIRI PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
Increase (Decrease) in part of operating liabilities				
Land payable - promissory notes	0.00	(51,686,000.00)	0.00	(51,686,000.00)
Trade accounts and notes payable	44,903,481.23	(46,598,400.26)	29,056,736.31	9,591,992.52
Unrealized installment income	(269,500,007.85)	123,239,056.85	(268,176,407.85)	134,066,556.85
Other current liabilities	(8,881,782.63)	84,386,483.34	(4,958,687.37)	49,916,810.11
Increase (Decrease) from liabilities operation	(233,478,309.25)	109,341,139.93	(244,078,358.91)	141,889,359.48
Cash generated (paid) from operation	2,245,193,271.50	(552,502,144.92)	1,970,902,235.08	(1,018,615,408.09)
Interest paid	(154,667,411.73)	(288,028,287.62)	(150,068,684.22)	(194,129,444.32)
Corporate income tax paid	(155,218,290.44)	(92,474,545.95)	(144,624,280.44)	(77,006,015.43)
Net cash provided by (used in) operating activities	<b>1,935,307,569.33</b>	<b>(933,004,978.49)</b>	<b>1,676,209,270.42</b>	<b>(1,289,750,867.84)</b>
Cash flows from investing activities				
Payments for purchase of current investment-open ended fund-debt securities	(273,950,000.00)	(545,872,747.32)	(273,950,000.00)	(241,372,747.32)
Proceeds from sale of current investment-open ended fund-debt securities	151,856,566.02	574,572,645.00	138,956,566.02	241,260,200.00
Decrease in loans to subsidiaries	0.00	0.00	122,104,200.00	99,745,800.00
(Increase) Decrease in pledged deposits at bank	(12,675,078.84)	10,382,393.07	(9,427,768.01)	10,369,346.36
Proceeds from sales of assets	566,178.40	27,000.00	560,570.92	27,000.00
Payments for purchase of equipment and office supplies	(12,642,570.71)	(4,265,167.38)	(12,445,370.14)	(4,207,896.36)
Net cash provided by (used in) investing activities	<b>(146,844,905.13)</b>	<b>34,844,123.37</b>	<b>(34,201,801.21)</b>	<b>105,821,702.68</b>
Cash flows from financing activities				
Increase (Decrease) in overdrafts and short-term loans from financial institution	(281,931,196.44)	304,938,372.09	(281,746,662.48)	345,496,918.53
Increase (Decrease) in short-term loans	42,684,200.00	(45,834,200.00)	160,000,000.00	50,000,000.00
Increase (Decrease) in liabilities under financial lease agreement	(4,148,924.45)	(2,970,078.48)	(4,020,763.95)	(2,850,909.12)

Notes to financial statements are parts of these financial statements.



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# STATEMENTS OF CASH FLOWS (Continued)

PRINSIRI PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
Increase (Decrease) in long-term loans	(1,351,549,506.10)	625,136,688.64	(1,351,549,506.10)	765,292,658.64
Dividend paid to minority interest	(2,700.00)	(720.00)	0.00	0.00
Dividend paid	0.00	(30,150,000.00)	0.00	(30,150,000.00)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,594,948,126.99)</b>	<b>851,120,062.25</b>	<b>(1,477,316,932.53)</b>	<b>1,127,788,668.05</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>193,514,537.21</b>	<b>(47,040,792.87)</b>	<b>164,690,536.68</b>	<b>(56,140,497.11)</b>
<b>Cash and cash equivalents as at January 1</b>	<b>66,163,979.66</b>	<b>113,204,772.53</b>	<b>28,825,683.24</b>	<b>84,966,180.35</b>
<b>Cash and cash equivalents as at December 31</b>	<b>259,678,516.87</b>	<b>66,163,979.66</b>	<b>193,516,219.92</b>	<b>28,825,683.24</b>

Supplemental disclosures of cash flows information are detailed in note 29.

Notes to financial statements are parts of these financial statements.

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## NOTES TO FINANCIAL STATEMENTS

PRINSIRI PUBLIC COMPANY LIMITED AND SUBSIDIARIES

AS AT DECEMBER 31, 2009 AND 2008

**1. GENERAL INFORMATION**

- 1.1 Prinsiri Public Company Limited was registered as a public company limited under the Thai law on March 30, 2004 with registration no. 0107547000320 which located at 123, Sun Towers Building-A, 12<sup>th</sup> Floor, Vipavadi-Rangsit Road, Chomphol, Chatuchak, Bangkok 10900.
- 1.2 The Company engaged in business of real estate for sales.

**2. FINANCIAL STATEMENTS PRESENTATION BASIS**

- 2.1 The financial statements have been prepared in accordance with the generally accepted accounting principles enunciated under the Accounting Professions Act B.E. 2547 and presented in accordance with the notification of Department of Business Development regarding to the condensed form should be included in the financial statements B.E. 2552.
- 2.2 The Company and subsidiaries' financial statements have been prepared under the historical cost convention, except as transaction disclosed in related accounting policy.

**3. CONSOLIDATED FINANCIAL STATEMENTS PREPARATION BASIS**

- 3.1 These financial statements have been consolidated by including the financial statements of subsidiaries in which Prinsiri Public Company Limited has a power to control such companies. Balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements on the controllable date.
- 3.2 Investment between Prinsiri Public Company Limited and its subsidiaries have been eliminated under equity method as if the Company owns 100 per cent shareholding in those subsidiaries, and the interest of other shareholders is shown as "Minority Interest".
- 3.3 These consolidated financial statements are prepared with the objective to show the consolidated financial position and the results of operation of Prinsiri Public Company Limited and its subsidiaries only. The usefulness of these financial statements for other purposes may be limited due to the difference in types of business of those consolidated companies.
- 3.4 The consolidated financial statements consist of the financial statements of Prinsiri Public Company Limited, a parent company which has shareholding or has significant influence in subsidiaries as follows:

	Percentage of shareholding		Type of business	Relationship
	2009	2008		
Growed Yotha Group Co., Ltd.	99.99	99.99	Construction distributor and contractor	Subsidiary
Prin Venture Co., Ltd.	51.00	51.00	Real estate development for sales	Subsidiary
CN SPR (Thailand) Co., Ltd.	99.97	99.97	Real estate for lease or sales of real estate held for development	Subsidiary



## 4. NEW ACCOUNTING STANDARDS ISSUANCE

In accordance with the notification No. 86/2551 and No. 16/2552 issued by the Federation of Accounting Professions, pertaining to the Accounting Standards announced in the Government Gazette, required to adopt the revised Accounting Standards as following:

### 4.1 Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year

Framework for Preparation and Presentation of Financial Statements (revised 2007)

TAS 36 (revised 2007) Impairment of Assets

TFRS5 (revised 2007) Non-current Assets Held for Sale and Discontinued Operations (Formerly TAS No. 54)

Accounting Treatment Guidance for Leasehold right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for the period beginning on or after January 1, 2009. The Company' management has assessed the effect of these standards and believes that TFRS 5 (revised 2007) and Accounting Treatment Guidance for Business Combination under Common Control are not relevant to the Company's business, while Framework for Preparation and Presentation of Financial Statements (revised 2007), TAS 36 (revised 2007) and Accounting Treatment Guidance for leasehold right will not have any material impact on the financial statements for the current period.

### 4.2 Accounting standards which are not effective for the current year

	Effective date
TAS 20 Accounting for Government Grants and Disclosure of Government Assistance	January 1, 2012
TAS 24 (Revised 2007) Related Party Disclosures	January 1, 2011
TAS 40 Investment Property	January 1, 2011

The management of the Company is still evaluating the effect of these three accounting standards and has not been able to reach a conclusion as to their effect to the financial statements for the year in which they are initially applied.



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## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Revenues and Expense Recognition

- 5.1.1 Revenues from sales of real estate is recognized on the percentage of completion and the ownership have been transferred to the buyer.
- 5.1.2 Revenues from sales of goods are recognized as income when the significant risk and rewards of ownership have been transferred to the buyer.
- 5.1.3 Revenues from construction contract is recorded on the percentage of completion which is based on the proportion of actual costs to the estimated costs. Undue of realized income is shown as "Unbilled construction income".
- 5.1.4 Other income and expenses are recognized on an accrual basis.

### 5.2 Cash and cash equivalents

Cash and cash equivalents mean cash on hand and all type of deposit excluding deposit which held to maturity.

### 5.3 Current investments

Investment in opened end fund in the form of debt securities is stated at fair value. The difference from changes in valuation are recorded as unrealized gain (loss) on change in investment valuation under shareholders' equity.

### 5.4 Allowance for doubtful accounts

The Company and subsidiaries provided the allowance for doubtful accounts from the estimated uncollectible receivable based on the past collection experience.

### 5.5 Inventories Valuation

Inventories - properties foreclosed are valued at the lower of cost or net realizable value. Cost of inventories - properties foreclosed consist of cost of land acquisition, land development, related expenses of project and interest on borrowing relating to land acquisition and construction are capitalized as cost of goods and stopped to recognize when the construction is completed which will be amortized as cost of sales in accordance with the size of land transferred.

Subsidiaries' inventories - raw materials are valued at the lower of cost on the weighted average method or net realizable value.

### 5.6 Long-term investment

Investment in subsidiaries are stated at cost method less provision for impairment (if any).

### 5.7 Land and equipment

Assets are stated at cost less accumulated depreciation.

Equipment and supplies are depreciated on a straight-line basis over the estimated useful lives of the assets for period of approximately 5 years except Tunnel Forms are depreciated on a numeric of production units of each project.

### 5.8 Land held for development

Land held for development means land that the Company intends to hold for future benefit and recorded as non-current assets which are stated at cost less provision for impairment. Cost consists of land cost and related expenses for land acquisition including cost of borrowing from development such land. The Company will stop to calculate cost of borrowing when land development is completed.

### 5.9 Impairment of assets

The Company and subsidiaries have considered the impairment of land, building and equipment, investing capital, land and cost of undevelopment projects and intangible assets whenever events or changes indicate that the carrying amount of assets exceeds its recoverable value. The impairment loss will be recognized in statement of income. The Company will reverse the impairment loss whenever there is no longer impairment or reduction in impairment.

Recoverable value of asset is the net selling price or utilization value of that asset, whichever is higher. The impairment will be estimated from each item of asset or each asset unit generating cash flow, whichever is practical.



## 5.10 Assets under financial lease agreement

The Company records assets under financial lease agreement as assets and liabilities in an amount equal to the fair value of the financial lease assets at the inception of the agreement. Interest expenses are recorded to each period over the term of agreement based on the outstanding balance of the liabilities under financial lease agreement during each period.

## 5.11 Income Tax

The Company and subsidiaries recorded corporate income tax as expense in the occurring period and calculated income tax as prescribed in the Revenue Code which required to recognize income on the installment due.

## 5.12 Basic earnings per share

Earnings (Loss) per share as presented in the statements of income is the basic earnings (loss) per share which is determined by dividing the net profit (loss) for the period by the weighted average number of common shares issued and paid-up during the year.

## 5.13 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles required the management to make several estimation and assumption which affected the amounts in the financial statements and notes related thereto. Consequent actual results may differ from these estimates.

## 5.14 Provision for liabilities

The Company and subsidiaries recognize a provision for liabilities when an entity has a present legal or constructive obligation as a result of a past event. It is probable that an outflow of economic benefits resources will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. If some or all the expenditure is required to settle a provision, is expected to be reimbursed when it is virtually certain that reimbursement will be received if the Company and subsidiaries settle the obligation. The amount recognized should not exceed the amount of the provision.

## 5.15 Employees benefit

### 5.15.1 Provident fund

The Company has established provident fund under the defined contribution plan. The fund's assets are separated entities which are administered by the outsider fund manager. The Company and employees made contribution into such provident fund. The Company's contribution payments to the provident fund were recorded as expenses in statements of income in the period in which they are incurred.

### 5.15.2 Retirement benefit

This obligation is to provide retirement benefit to retired employees under the defined retirement plan, determined by the labour law. The Company will record the retirement cost in the period in which the employees retired.

## 6. CASH AND CASH EQUIVALENTS

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
Cash on hand	814,482.68	1,032,701.82	653,673.38	817,319.91
Cheque in transit	15,325,124.00	5,822,500.00	15,325,124.00	2,372,500.00
Current accounts	12,136,521.11	13,833,483.44	11,924,706.37	13,286,099.85
Savings deposit	231,402,389.08	45,475,294.40	165,612,716.17	12,349,763.48
Total	259,678,516.87	66,163,979.66	193,516,219.92	28,825,683.24



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## 7. CURRENT INVESTMENT

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
Open end fund - debt securities	137,851,639.76	15,457,345.70	135,245,445.30	0.00
Negotiable certificate	545,300.00	0.00	545,300.00	0.00
Total	138,396,939.76	15,457,345.70	135,790,745.30	0.00

## 8. TRADE ACCOUNTS RECEIVABLE - NET

	Note	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
		2009	2008	2009	2008
Trade accounts receivable					
- Related companies	28.1	0.00	0.00	352,270.00	1,579,360.00
- Others		11,826,801.06	12,115,257.15	345,000.00	345,000.00
Total		11,826,801.06	12,115,257.15	697,270.00	1,924,360.00
Less Allowance for doubtful accounts - other receivables		(9,844,022.33)	(9,717,114.43)	(345,000.00)	(345,000.00)
Total		1,982,778.73	2,398,142.72	352,270.00	1,579,360.00

The outstanding receivable are separated on aging as follows:

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
In due	1,637,528.97	788,971.22	352,270.00	1,579,360.00
From 1 – 90 days	795,557.70	1,476,537.83	0.00	0.00
From 91 – 180 days	0.00	0.00	0.00	0.00
From 181 – 360 days	0.00	496,190.69	0.00	0.00
Over 360 days	9,393,714.39	9,353,557.41	345,000.00	345,000.00
Total	11,826,801.06	12,115,257.15	697,270.00	1,924,360.00



## 9. LOANS TO RELATED COMPANIES - PROMISSORY NOTES

As at December 31, 2009 and 2008, the Company has loans to two subsidiary companies by receiving promissory notes amount of Baht 89.15 million and Baht 211.25 million, respectively due at call at the interest rate of MLR, MLR + 2% per annum without collaterals. The borrowing of a subsidiary company is based on the condition in agreement of shareholders.

## 10. INVENTORIES

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
Finished goods				
- House for sales	180,824,944.01	48,879,537.38	180,824,944.01	48,879,537.38
- Construction supplies	914,717.71	894,735.68	0.00	0.00
Land and land development	1,902,846,135.03	3,521,223,940.64	1,788,857,641.51	3,303,746,469.20
Work in process	1,833,261,024.48	2,631,142,869.39	1,823,522,424.07	2,470,462,253.44
Expenses relating to project	36,880,870.32	42,256,503.91	35,907,342.26	40,071,994.57
Deferred interest	164,653,541.20	227,737,426.93	151,730,427.49	193,721,714.61
Deferred remuneration on right for using land	4,897,738.42	0.00	4,897,738.42	0.00
Total	4,124,278,971.17	6,472,135,013.93	3,985,740,517.76	6,056,881,969.20

As at December 31, 2008, part of properties foreclosed amount of Baht 296.20 million which is a project designed for the 2 condominium buildings was ordered by the Public Works Department, Chatuchak District Office, Bangkok to correct the unpermitted building modification and construction. Therefore, the Company stopped the construction of such condominiums until the approval of the Public Works Department, Chatuchak District Office, Bangkok is met. On March 12, 2008, the Company submitted the request for building modification and construction and was permitted from the Public Works Department on December 15, 2008.

As at December 31, 2008, the Company estimated the contingent loss if the Public Works Department ordered the Company to change such condominium building plan, the Company, thus, has to amortize properties foreclosed for changed building plan as expenses in the amount of Baht 25.45 million, correct the design of building operating expense amount of Baht 5.90 million and other expenses amount of Baht 5.00 million, totally Baht 36.35 million which is presented as loss on correct of plan in statements of income under the caption "other expenses" and compensation including interest from cancellation of contract to be paid to any customers amounted to Baht 6.38 million as estimated fines from delay of work in statements of income under the caption "other expenses", total damages amounted to Baht 42.73 million.

In 2009, the Company estimates fines from delay of work amount of Baht 30.92 million since the ownership of condominium unit transferring do not conform to the maturity, by presenting as estimated fines from delay of work in statements of income under the caption "other expenses".

As at December 31, 2009 and 2008, most of land with its construction of each project of the Company and subsidiaries in the amount of Baht 3,850.78 million and Baht 5,720.32 million, respectively (Baht 3,721.82 million and Baht 5,546.12 million, respectively for the Company only) were mortgaged as collateral for overdrafts lines and short-term loans from financial institutions, aval promissory notes and long - term loans as mentioned in note 15 and 20, respectively.

As at December 31, 2009 and 2008, the Company and subsidiaries have recorded interest payment as cost of project of Baht 107.80 million and Baht 154.50 million, respectively (Baht 107.80 million and Baht 148.77 million, respectively for the Company only).



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## 11. INVESTMENT IN SUBSIDIARIES

## Separate financial statements (Baht)

	Percentage	2009		2008	
	of shareholding	Cost	Dividend received	Cost	Dividend received
Growed Yotha Group Co., Ltd.	99.99	32,000,000.00	44,997,300.00	32,000,000.00	11,999,280.00
Prin Venture Co., Ltd.	51.00	51,000,000.00	0.00	51,000,000.00	0.00
CN SPR (Thailand) Co., Ltd.	99.97	2,000,000.00	0.00	2,000,000.00	0.00
Total		85,000,000.00	44,997,300.00	85,000,000.00	11,999,280.00



## 12. LAND AND EQUIPMENT - NET

	Consolidated financial statements (Baht)				
	December 31, 2008	Increase	Decrease	Transfer in (out)	December 31, 2009
Cost :-					
Land	3,279,342.43	0.00	0.00	0.00	3,279,342.43
Building and construction	2,196,710.00	0.00	0.00	0.00	2,196,710.00
Machinery and equipment	2,490,036.63	9,992,165.88	0.00	(12,733.00)	12,469,469.51
Computer	30,251,739.74	1,748,394.59	(1,177,805.07)	(715,509.99)	30,106,819.27
Office furniture	8,062,698.78	37,664.00	0.00	(29,323.90)	8,071,038.88
Office supplies	19,929,936.10	582,177.21	(61,560.40)	(1,368,115.42)	19,082,437.49
Vehicles	31,654,202.81	12,649.53	(1,415,807.00)	(9,500.00)	30,241,545.34
Work in progress	0.00	269,519.50	0.00	0.00	269,519.50
	97,864,666.49	12,642,570.71	(2,655,172.47)	(2,135,182.31)	105,716,882.42
Accumulated depreciation :-					
Building and construction	550,680.88	438,861.40	0.00	0.00	989,542.28
Machinery and equipment	1,757,788.77	1,138,039.37	0.00	(8,984.24)	2,886,843.90
Computer	14,068,104.48	5,449,634.34	(1,088,035.37)	(1,791,397.98)	16,638,305.47
Office furniture	7,157,998.08	370,383.56	0.00	(14,908.97)	7,513,472.67
Office supplies	11,968,194.18	2,548,553.04	(4,394.28)	134,639.21	14,646,992.15
Vehicles	23,418,225.41	3,173,165.48	(1,222,174.38)	(8,422.09)	25,360,794.42
	58,920,991.80	13,118,637.19	(2,314,604.03)	(1,689,074.07)	68,035,950.89
Land and equipment – net	38,943,674.69				37,680,931.53

As at December 31, 2009 and 2008, the Company and subsidiaries have fixed assets at cost of Baht 34.96 million and Baht 31.18 million, respectively which were fully depreciated but are still being operated.

Depreciation for the years ended December 31, 2009 and 2008 amounted to Baht 13.11 million and Baht 14.21 million, respectively.



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## Separate financial statements (Baht)

	December 31, 2008	Increase	Decrease	Transfer in (out)	December 31, 2009
Cost :-					
Land	3,279,342.43	0.00	0.00	0.00	3,279,342.43
Building and construction	2,196,710.00	0.00	0.00	0.00	2,196,710.00
Machinery and equipment	2,482,171.21	9,992,165.88	0.00	(12,733.00)	12,461,604.09
Computer	29,881,283.86	1,551,194.02	(1,052,522.75)	(1,485,795.41)	28,894,159.72
Office furniture	6,647,691.98	37,664.00	0.00	(29,323.90)	6,656,032.08
Office supplies	18,102,073.08	582,177.21	(61,560.40)	(597,830.00)	18,024,859.89
Vehicles	31,625,698.14	12,649.53	(1,415,807.00)	(9,500.00)	30,213,040.67
Work in progress	0.00	269,519.50	0.00	0.00	269,519.50
<b>Total</b>	<b>94,214,970.70</b>	<b>12,445,370.14</b>	<b>(2,529,890.15)</b>	<b>(2,135,182.31)</b>	<b>101,995,268.38</b>
Accumulated depreciation :-					
Building and construction	550,680.88	438,861.40	0.00	0.00	989,542.28
Machinery and equipment	1,753,949.46	1,136,826.48	0.00	(8,984.24)	2,881,791.70
Computer	13,937,785.20	5,249,624.35	(969,354.05)	(1,378,675.31)	16,839,380.19
Office furniture	6,505,394.96	89,322.09	0.00	(14,908.97)	6,579,808.08
Office supplies	11,007,964.67	2,353,487.02	(4,394.28)	(278,083.46)	13,078,973.95
Vehicles	23,389,721.74	3,173,165.48	(1,222,174.38)	(8,422.09)	25,332,290.75
<b>Total</b>	<b>57,145,496.91</b>	<b>12,441,286.82</b>	<b>(2,195,922.71)</b>	<b>(1,689,074.07)</b>	<b>65,701,786.95</b>
<b>Land and equipment – net</b>	<b>37,069,473.79</b>				<b>36,293,481.43</b>

As at December 31, 2009 and 2008, the Company has fixed assets at cost of Baht 34.77 million and Baht 30.98 million which were fully depreciated but are still being operated.

Depreciation for the years ended December 31, 2009 and 2008 amounted to Baht 12.44 million and Baht 13.52 million, respectively.

As at December 31, 2008, the Company's land was mortgaged as collateral for overdraft lines of subsidiary company with a commercial bank. On March 16, 2009, the Company has cancelled overdrafts lines and redeemed the collateral but such land was taken to mortgage as guarantee for short-term loans from financial institution as stated in note 15.

## 13. LAND HELD FOR DEVELOPMENT

	Consolidated financial statements (Baht)		Separated financial statements (Baht)	
	2009	2008	2009	2008
Land and cost of land development	994,645,190.87	126,533,625.00	937,645,190.87	69,533,625.00
Total	994,645,190.87	126,533,625.00	937,645,190.87	69,533,625.00

On July 15, 2009, subsidiary entered into agreement to sell land held for development with the individual at the selling price under the agreement of Baht 97.67 million which had carrying value amount of Baht 57 million. Subsidiary has received deposit from entering agreement in the amount of Baht 10 million and subsidiary has paid commission for sale of land in the amount of Baht 2.15 million. The ownership of land transferring was matured in July 2010

As at December 31, 2009 and 2008, land held for development of the Company and subsidiaries of Baht 857.21 million and Baht 126.53 million, respectively (Baht 800.21 million and Baht 69.53 million, respectively for the Company only) is mortgaged as collateral against overdrafts line, short-term loans from financial institution and long-term loans facility as mentioned in note 15 and 20, respectively.

## 14. DEPOSIT AT BANKS WITH COMMITMENT

As at December 31, 2009 and 2008, the Company and subsidiaries have savings deposit and fixed deposit amount of Baht 87.01 million and Baht 85.49 million, respectively (Baht 70.49 million and Baht 67.98 million, respectively for the Company only). Some savings deposit of Baht 68.16 million and Baht 78.77 million, respectively (Baht 57.30 million and Baht 63.67 million, respectively for the Company only) are deposits from collected the central utilities service expenses from clients. The Company and subsidiaries have commitment to assign such collection to each village committee when they have been already appointed. The Company and subsidiaries have recorded such liabilities as other payables in the financial statements. The remaining is used as guarantee with a commercial bank for the issuance of letter of guarantee as stated in note and 31.2.

## 15. BANK OVERDRAFTS AND SHORT - TERM LOANS FROM FINANCIAL INSTITUTIONS

	Consolidated financial statements (Baht)		Separated financial statements (Baht)	
	2009	2008	2009	2008
Bank overdrafts	9,919,219.98	8,201,871.02	9,686,038.48	7,784,155.56
Promissory notes – commercial bank	120,000,000.00	730,376,150.00	120,000,000.00	730,376,150.00
Bills of exchange - financial institution	198,001,454.60	0.00	198,001,454.60	0.00
Total	327,920,674.58	738,578,021.02	327,687,493.08	738,160,305.56



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Bills of exchange - financial institution consist of :

	Consolidated financial statements (Baht)		Separated financial statements (Baht)	
	2009	2008	2009	2008
Bills of exchange	200,000,000.00	0.00	200,000,000.00	0.00
Less : Discounted interest expense	(1,998,545.40)	0.00	(1,998,545.40)	0.00
Bills of exchange - net	198,001,454.60	0.00	198,001,454.60	0.00

As at December 31, 2009 and 2008, the Company and subsidiaries have overdrafts line in the amount of Baht 85 million and Baht 110.40 million, respectively (Baht 75 million and Baht 95.40 million, respectively for the Company only), guaranteed by land and project construction, land and equipment - net, land held for development and the Company's guaranteed as stated in note 10, 12 and 13.

As at December 31, 2009 and 2008, the Company issued promissory notes to one and four commercial banks in the amount of Baht 120 million and Baht 350.35 million, respectively at the interest rate of MLR - 1.5%, MOR per annum, guaranteed by project 's land with its construction and land held for development as mentioned in note 10 and 13, respectively.

As at December 31, 2009, the Company issued bills of exchange to financial institution amount of Baht 200 million at the interest rate of 4.25% - 4.75% per annum, due in 2010 without collaterals.

As at December 31, 2008, the Company issued promissory notes to a commercial bank in the amount of Baht 380.00 million at the interest rate of 4.50 - 5.25% per annum, guaranteed by project's land and construction as stated in note 10.

On August 2009, the Company has made payment in fully amount.

## 16. SHORT - TERM LOANS - PROMISSORY NOTES

	Note	Consolidated financial statements (Baht)		Separated financial statements (Baht)	
		2009	2008	2009	2008
Related companies	28.5.2	31,850,000.00	149,165,800.00	0.00	0.00
Directors	28.5.3	0.00	100,000,000.00	0.00	100,000,000.00
Other persons		260,000,000.00	0.00	260,000,000.00	0.00
Total		291,850,000.00	249,165,800.00	260,000,000.00	100,000,000.00

As at December 31, 2009, the Company issued promissory notes to an individual in the total amount of Baht 260 million which are due three - five months at the interest rate of 5.5 - 6.0% per annum without collaterals.

As at December 31, 2009 and 2008, a subsidiary (shareholder) issued promissory notes in the amount of Baht 31.85 million and Baht 149.17 million, respectively at the interest rate of MLR, MLR + 2% per annum which are due at call without collaterals. The borrowing is based on the condition in agreement of shareholders.

As at December 31, 2008, the Company issued promissory notes to a director in the total amount of Baht 100 million, respectively which are due at call at the interest rate of 5% per annum without collaterals. The Company has fully repaid in December 2009.

## 17. TRADE ACCOUNTS AND NOTES PAYABLE:

	Note	Consolidated financial statements (Baht)		Separated financial statements (Baht)	
		2009	2008	2009	2008
Trade accounts payable					
- Related companies	28.6	570,421.98	773,673.13	11,752,299.86	49,676,069.81
- Others		157,701,423.93	145,133,956.11	149,578,126.13	127,625,130.04
Trade notes payable		89,222,071.32	56,682,806.77	85,498,352.88	40,470,842.71
Total		247,493,917.23	202,590,436.01	246,828,778.87	217,772,042.56

## 18. CURRENT PORTION OF LONG-TERM LIABILITIES

	Note	Consolidated financial statements (Baht)		Separated financial statements (Baht)	
		2009	2008	2009	2008
Liabilities under financial lease agreement	19	2,886,275.61	4,148,924.44	2,864,489.71	4,020,763.94
Long-term loans	20	678,184,725.90	1,342,589,182.00	678,184,725.90	1,342,589,182.00
Total		681,071,001.51	1,346,738,106.44	681,049,215.61	1,346,609,945.94

## 19. LIABILITIES UNDER FINANCIAL LEASE AGREEMENT

Assets for lease under financial lease agreement are detailed as follows :

	Consolidated financial statements (Baht)		Separated financial statements (Baht)	
	2009	2008	2009	2008
Computer	10,404,423.06	10,404,423.06	10,033,967.18	10,033,967.18
Vehicles	3,257,000.00	3,257,000.00	3,257,000.00	3,257,000.00
Less Accumulated depreciation	(5,345,515.54)	(2,640,496.09)	(5,168,390.24)	(2,510,176.81)
Net book value	8,315,907.52	11,020,926.97	8,122,576.94	10,780,790.37

The minimum amount to be paid under financial lease agreement are as follows :



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	Consolidated financial statements (Baht)		Separated financial statements (Baht)	
	2009	2008	2009	2008
Within 1 year	3,088,406.14	4,629,835.68	3,066,557.81	4,496,055.72
Over 1 year, less than 3 years	1,764,019.70	4,312,447.64	1,764,019.70	4,290,599.31
Over 3 years, less than 5 years	201,075.80	741,054.00	201,075.80	741,054.00
	5,053,501.64	9,683,337.32	5,031,653.31	9,527,709.03
Less Future interest expenses of financial lease agreement	(354,738.57)	(835,649.80)	(354,676.14)	(829,967.91)
Present value of liabilities under financial lease agreement	4,698,763.07	8,847,687.52	4,676,977.17	8,697,741.12

Liabilities under financial lease agreement excluding future interest expenses are as follows :

		Consolidated financial statements (Baht)		Separated financial statements (Baht)	
	Note	2009	2008	2009	2008
Liabilities under financial lease agreement		4,698,763.07	8,847,687.52	4,676,977.17	8,697,741.12
Less Liabilities under financial lease agreement due within 1 year	18	(2,886,275.61)	(4,148,924.44)	(2,864,489.71)	(4,020,763.94)
Liabilities under financial lease agreement - net		1,812,487.46	4,698,763.08	1,812,487.46	4,676,977.18

## 20. LONG - TERM LOANS - NET

		Consolidated financial statements (Baht)		Separated financial statements (Baht)	
	Note	2009	2008	2009	2008
Long - term loans from					
- Commercial banks		1,426,043,125.90	2,648,866,482.00	1,426,043,125.90	2,648,866,482.00
Total		1,426,043,125.90	2,648,866,482.00	1,426,043,125.90	2,648,866,482.00
Less Current portion of long-term loans	18	(678,184,725.90)	(1,342,589,182.00)	(678,184,725.90)	(1,342,589,182.00)
Total		747,858,400.00	1,306,277,300.00	747,858,400.00	1,306,277,300.00

As at December 31, 2009 and 2008, the Company has loans from 7 local commercial banks and financial institutions for total credit lines of Baht 6,237.17 million and Baht 6,248.17 million, respectively, at the interest rate of MLR -1.50% to MLR and SPR per annum by making monthly payment. The repayment of principal will be made on the redemption of mortgaging properties foreclosed in the proportion of 70 - 90% of selling price. The Company has to complete the loan repayment in 2009 - 2013. Such loans are guaranteed by mortgaging land with construction of each loaned project, guaranteed by directors and related persons' land as stated in note 10 and 28.14.

In 2009, the Company has land payables - promissory notes amount of Baht 136.72 million aval by commercial bank, guaranteed by project's land with its construction as stated in note 10. The Company transferred promissory notes to be long - term loans in whole amount when they are matured in October 2009.

As at December 31, 2009 and 2008, the Company has unused facilities amount of Baht 2,288.58 million and Baht 2,759.11 million, respectively.

## 21. SHARE CAPITAL

21.1 According to the minutes of Board of Directors' meeting and General Shareholders' meeting no. 1/2009 held on February 23, 2009 and April 22, 2009, respectively the Company passed the resolution as below :

21.1.1 To cancel the issuance of warrants to the existing shareholders without the remuneration for 335 million units and approve the decreasing registered share capital from cancellation of such warrants issuance by decreasing 335 million ordinary shares at par value of Baht 1 each which have not yet been issued.

21.1.2 To approve the amendment of Article 4 of the Memorandum of Associations regarding the reduction of registered shares capital, the Company has already amended on May 1, 2009.

21.2 According to the minutes of Board of directors' meeting and General Shareholders' meeting no. 1/2008 held on February 20, 2008 and April 22, 2008, respectively the Company passed the resolution to cancel the newly issued ordinary share and approve the issuance 335,000,000 units of warrants offered to the existing shareholders without remuneration at the ratio of 3 shares to 1 unit of warrant. The term of warrant is valid for 2 years from the issued date. The exercise price is Baht 4.00 per share and the exercise date is elapsed every six months on the last business day of June and December of each year during the term of warrants. All unexercised warrants shall be automatically terminated.

## 22. LEGAL RESERVE

According to the Public Company Limited Act B.E. 2535, the Company is required to set aside a legal reserve at least 5% of annual net profit after deducting deficit brought forward (if any) until the reserve reaches an amount of 10% of the authorized share capital. Such legal reserve is not available for dividend distribution.

## 23. REMUNERATION INCOME ON TRANSFERRED RIGHT IN CONTRACT TO BUY AND TO SELL OF LAND

In the second quarter of 2008, the Company has received the remuneration income on transferred right in contract to buy and to sell of land from a company of Baht 22.43 million which derived from the Company entered into contract to buy and to sell with the land owner, the Company, thus, recorded such transaction as remuneration income on transferred right in whole amount in statements of income under the caption of other income for the year ended December 31, 2008.

## 24. DIVIDEND PAID

24.1 According to the minutes of the Board of directors' meeting and the shareholders' annual general meeting for the year 2009 no. 1/2009 held on February 23, 2009 and April 22, 2009, respectively, passed the resolution to cease the dividend payment.

24.2 According to the minutes of the Board of directors' meeting no. 1/2008 and the minutes of shareholders' annual general meeting for the year 2008 held on February 20, 2008 and April 22, 2008, respectively, the Company passed the resolution to pay dividend for the results of its operation for the year 2007 at Baht 0.03 each, amounting to Baht 30.15 million which was paid to the shareholders on May 22, 2008.



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**25. DIRECTORS' REMUNERATION AND MANAGEMENT BENEFIT EXPENSES****25.1 Directors' remuneration**

According to the minutes of the shareholders' general meeting no. 1/2009 and no. 1/2008 held on April 22, 2009 and 2008, required to pay directors' remuneration including meeting allowance and gratuity for the year 2009 and 2008 not exceed amount of Baht 2.48 million.

**25.2 Management benefit expenses**

Benefit expenses paid to chief executive officer, the next four executive levels immediately below that chief executive officer and all persons in positions comparable to these fourth executive levels consist of salaries, consulting fee, bonus, meeting allowance, gratuity, fuel, telephone expenses and car rental.

**26. PROVIDENT FUND**

The Company and employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530 and the Provident Fund Act no. 2 (B.E. 2542) on June 25, 2004. The fund is contributed both by the employees and the Company by deducting the employees' salaries and the Company will pay a contribution. The employees are entitled the benefits on their resignation in accordance with the fund regulation.

As at December 31, 2009 and 2008, the Company and subsidiaries paid the contribution to provident fund amount of Baht 2.88 million and Baht 3.34 million, respectively (Baht 2.78 million and Baht 3.19 million, respectively for the company only).

**27. EXPENSES ANALYZED BY NATURE**

For the years ended December 31, 2009 and 2008

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2009
Purchase of land, construction				
material and contractors wages				
during the year	2,397,144,830.38	4,979,948,554.89	2,344,108,444.62	4,743,425,841.21
Changes in finished goods and work				
in progress	2,347,856,042.76	(1,662,797,946.64)	2,071,141,451.44	(2,123,522,952.37)
Salaries, wages and other employees				
benefit expenses	102,348,537.58	113,498,240.37	98,703,892.78	107,754,133.83
Depreciation and amortization	12,057,802.46	14,210,316.82	11,380,452.09	13,524,388.52

## 28. TRANSACTION WITH RELATED PERSONS AND PARTIES

No.	Persons or parties	Relationship	Type of relation	Pricing policy
1	Mr. Santi Kovitchindachai	Shareholder	Loans to the Company	Loans are due at call at the agreed rate of 5.00-6.50% per annum with monthly interest payment
2	Growed Yotha Group Co., Ltd.	Subsidiary	Construction contract service and sales of goods	Price are close to market value
			Loans to the Company	Loans are due at call at the agreed rate of 5% per annum with monthly interest payment
			The Company used land to guarantee overdrafts lines up to March 16, 2009	No remuneration
			Use credit line for purchasing goods of Baht 30 million from June - August 2008	No remuneration
			Garden overseeing and decoration providing	At the agreed service fee base on the result of work
3	Prin Venture Co., Ltd.	Subsidiary	Loans from the Company in the form of promissory notes	Loans are due at call at the agreed rate of MLR + 2% per annum, and changed to MLR per annum since July 1, 2008. Interest is payable including principal
			The Company guaranteed all credit lines of project's land with its construction	Guarantee based on shareholding ratio
			Hire the Company to manage and administer the project	At the agreed service fee of Baht 0.35 million per month excluding VAT Contracts terminated on October 31, 2009
			Hire the Company to manage selling project	At the agreed service fee of 2% of sales volumn
			Hire the Company to oversee the garden and common facilities	At the monthly agreed service fee of Baht 0.10 million



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No.	Persons or parties	Relationship	Type of relation	Pricing policy
4	Uni Venture Plc.	Shareholder of a subsidiary in 49% shareholding	Loans to a subsidiary in form of promissory notes  Uni Venture Co., Ltd. guaranteed all lines of project's land with its construction of a subsidiary  Financial advisor of a subsidiary	Loans are due at call at the agreed rate of MLR + 2% per annum and changed to MLR per annum since July 1, 2008. Interest is payable including principal.  Guarantee based on shareholding ratio  At the agreed service fee of Baht 0.09 million per month excluding VAT Contracts terminated on October 31, 2009
5	Thai Chinda Curtain Co., Ltd.	Some directors are major shareholders of the Company	Sales and install the decoration materials to the Company	Based on the normal course of business
6	CN SPR (Thailand) Co., Ltd.	Subsidiary	Loans to the Company in form of promissory notes  Use land held for development to guarantee loans from bank of the Company	Loans are due at call at the agreed rate of MLR per annum by paying with principal  No remuneration
7	Ms. Siriluck Kovitchindachai	The Company's director	Loans to the Company in form of promissory notes, fully repaid in December 2009  Guarantee loans from bank in 2009 is Baht 240 million in 2008 is Baht 48 million	Loans are due at call at the interest rate of 5% per annum by making monthly payment.  No remuneration



Transactions and amounts with related persons and parties in balance sheets are as follows :

## 28.1 Trade accounts receivable

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
Prin Venture Co., Ltd.				
Trade accounts receivable - management services	0.00	0.00	0.00	749,000.00
Trade accounts receivable - sales management services	0.00	0.00	252,270.00	730,360.00
Trade accounts receivable - others	0.00	0.00	100,000.00	100,000.00
Total	0.00	0.00	352,270.00	1,579,360.00

## 28.2 Inventory

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
Uni Venture Plc.				
Deferred interest expenses	7,246,662.84	40,932,794.07	0.00	0.00

## 28.3 Short - term loans to related companies - promissory notes

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
Prin Venture Co., Ltd.				
Beginning balance	0.00	0.00	155,254,200.00	255,000,000.00
Loans received during the period	0.00	0.00	0.00	0.00
Loans repaid during the period	0.00	0.00	(122,104,200.00)	(99,745,800.00)
Ending balance	0.00	0.00	33,150,000.00	155,254,200.00
CN SPR (Thailand) Co., Ltd.				
Beginning balance	0.00	0.00	56,000,000.00	56,000,000.00
Loans received during the period	0.00	0.00	0.00	0.00
Ending balance	0.00	0.00	56,000,000.00	56,000,000.00
Total	0.00	0.00	89,150,000.00	211,254,200.00



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28.4 Accrued interest receivable - short - term loans - promissory notes

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
CN SPR (Thailand) Co., Ltd.	0.00	0.00	1,936,153.42	6,047,616.44
Total	0.00	0.00	1,936,153.42	6,047,616.44

28.5 Short - term loans - promissory notes

28.5.1 Mr. Santi Kovitchindachai

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
Beginning balance	0.00	0.00	0.00	0.00
Loans received during the period	0.00	15,000,000.00	0.00	15,000,000.00
Loans repaid during the period	0.00	(15,000,000.00)	0.00	(15,000,000.00)
Ending balance	0.00	0.00	0.00	0.00

28.5.2 Uni Venture Plc.

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
Beginning balance	149,165,800.00	245,000,000.00	0.00	0.00
Loans received during the period	0.00	0.00	0.00	0.00
Loans repaid during the period	(117,315,800.00)	(95,834,200.00)	0.00	0.00
Ending balance	31,850,000.00	149,165,800.00	0.00	0.00

28.5.3 Ms. Siriluck Kovitchindachai

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
Beginning balance	100,000,000.00	50,000,000.00	100,000,000.00	50,000,000.00
Loans received during the period	5,000,000.00	50,000,000.00	5,000,000.00	50,000,000.00
Loans repaid during the period	(105,000,000.00)	0.00	(105,000,000.00)	0.00
Ending balance	0.00	100,000,000.00	0.00	100,000,000.00

## 28.5.4 Growned Yotha Group Co., Ltd.

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
Beginning balance	0.00	0.00	0.00	0.00
Loans received during the period	0.00	0.00	0.00	40,000,000.00
Loans repaid during the period	0.00	0.00	0.00	(40,000,000.00)
Ending balance	0.00	0.00	0.00	0.00
Total	31,850,000.00	249,165,800.00	0.00	100,000,000.00

## 28.6 Trade accounts payable

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
Growned Yotha Group Co., Ltd.				
Trade accounts payable - contractor, goods	0.00	0.00	11,181,877.88	48,983,149.58
Thai Chinda Curtain Co., Ltd.				
Trade accounts payable - decoration	570,421.98	773,673.13	570,421.98	692,920.23
Total	570,421.98	773,673.13	11,752,299.86	49,676,069.81

## 28.7 Retention

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
Growned Yotha Group Co., Ltd.				
Retention - construction cost	0.00	0.00	4,268,092.85	4,586,864.55
Total	0.00	0.00	4,268,092.85	4,586,864.55



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Transactions and amounts with related persons and parties in statements of income are as follows:

28.8 Interest receivable - short - term loans - promissory notes

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	For the year ended		For the year ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Prin Venture Co., Ltd.	0.00	0.00	5,841,574.95	18,899,057.47
CN SPR (Thailand) Co., Ltd.	0.00	0.00	3,388,536.98	3,963,534.25
Total	0.00	0.00	9,230,111.93	22,862,591.72

28.9 Management income

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	For the year ended		For the year ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Prin Venture Co., Ltd.	0.00	0.00	4,550,000.00	8,400,000.00

28.10 Sales management income

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	For the year ended		For the year ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Prin Venture Co., Ltd.	0.00	0.00	7,312,997.42	13,687,368.13

28.11 Other service income

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	For the year ended		For the year ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Prin Venture Co., Ltd.	0.00	0.00	1,200,000.00	1,200,000.00



## 28.12 Cost of sales

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	For the year ended		For the year ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Growed Yotha Group Co., Ltd.				
- Contractual expenses	0.00	0.00	15,459,539.17	25,951,380.75
- Purchase of materials	0.00	0.00	28,349,440.54	254,705,200.59
	0.00	0.00	43,808,979.71	280,656,581.34
Thai Chinda Curtain Co., Ltd.				
- Decoration expenses	2,311,206.72	1,385,494.37	1,866,455.47	1,385,494.37
	2,311,206.72	1,385,494.37	1,866,455.47	1,385,494.37
Total	2,311,206.72	1,385,494.37	45,675,435.18	282,042,075.71

## 28.13 Interest expenses

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	For the year ended		For the year ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Mr. Santi Kovitchindachai	0.00	232,397.26	0.00	232,397.26
Ms. Siriluck Kovitchindachai	4,511,643.83	4,697,945.22	4,511,643.83	4,697,945.22
Growed Yotha Group Co., Ltd.	0.00	0.00	0.00	421,917.81
Total	4,511,643.83	4,930,342.48	4,511,643.83	5,352,260.29

## 28.14 Guarantee

As at December 31, 2009 and 2008, a director of the Company get into guarantee loans facility from bank amount of Baht 240 million and Baht 48 million as stated in note 15 and 20, respectively.



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**29. SUPPLEMENT DISCLOSURE OF CASH FLOWS INFORMATION****29.1 Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and remaining deposit at bank in the balance sheets as follows:

	Consolidated financial statements (Baht)		Separate financial statements (Baht)	
	2009	2008	2009	2008
Cash and deposits at bank	259,678,516.87	66,163,979.66	193,516,219.92	28,825,683.24

**29.2 Non - cash transactions**

- 29.2.1 For the years ended December 31, 2009 and 2008, the Company and subsidiaries have recorded the restricted fixed deposit amount of Baht 10.65 million and Baht 24.97 million, respectively, and other payable by the same amount as stated in note 14 (for the years ended December 31, 2009 and 2008 amount of Baht 11.65 million and Baht 18.47 million, respectively for the Company only).
- 29.2.2 For the years ended December 31, 2009 and 2008, the Company has transferred the restricted fixed deposit amount of Baht 5.75 million and Baht 20.73 million, respectively to the village committee and decrease in other payable by the same amount.
- 29.2.3 For the year ended December 31, 2009, the Company purchased land by issuing promissory notes amount of Baht 136.72 million.
- 29.2.4 For the year ended December 31, 2009, the Company transferred the matured loans from bank amount of Baht 128.73 million to be long-term loans.
- 29.2.5 For the year ended December 31, 2008, the Company have purchased assets by entering into financial lease amount of Baht 9.01 million.

**30. COMMITMENT**

- 30.1 As at December 31, 2009 and 2008, the Company and subsidiaries had commitment to make payment for land under contract to buy and to sell for the amount of Baht 267.49 million and Baht 346.64 million, respectively (Baht 267.49 million and Baht 300.24 million, respectively for the Company only).
- 30.2 As at December 31, 2009 and 2008, the Company and subsidiaries had commitment on payment for rental from entering into long - term lease building agreement to be completed for the amount of Baht 10.95 million and Baht 15.22 million, respectively (Baht 10.05 million and Baht 13.72 million, respectively for the Company only).
- 30.3 As at December 31, 2009 and 2008, the Company and subsidiaries had commitment to make payment to the contractor for entering into hire of construction agreements of each project to be completed for the amount of Baht 766.33 million and Baht 1,234.67 million, respectively. (Baht 737.34 million and Baht 1,156.95 million, respectively for the Company only).
- 30.4 As at December 31, 2009 and 2008, the Company and subsidiaries had commitment to make payment for advertising signboard to be matured under rent agreement for the amount of Baht 1.66 million and Baht 4.76 million, respectively (Baht 1.66 million and Baht 4.28 million, respectively for the Company only).
- 30.5 As at December 31, 2009 and 2008, the Company and subsidiaries are liable to pay rental from entering into rent of car agreement to be matured under agreement amount of Baht 14.38 million and Baht 3.38 million, respectively (Baht 13.59 million and Baht 3.38 million, respectively for the Company only).



## 30.6 Obligation and commitment to complete projects on hand

	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Number of project on hand,				
beginning of the period	27	23	22	18
Number of closing project	(7)	(2)	(4)	(2)
Number of new project	4	6	3	6
Number of project on hand, ending of the period	24	27	21	22
Valuation of project on hand (million Baht)	16,066.35	18,538.27	15,014.83	16,284.13
Contracted sales value (million Baht)	10,003.14	12,771.51	9,070.97	10,949.60
Sales value of project on hand (%)	62.26	68.89	60.41	67.24

## 31. CONTINGENT LIABILITIES

31.1 As at December 31, 2009 and 2008, the Company and subsidiaries had contingent liabilities from letter of guarantee issued by bank for guarantee project development of Baht 216.25 million and Baht 194.89 million, respectively (Baht 211.01 million and Baht 157.50 million, respectively for the Company only).

31.2 As at December 31, 2009 and 2008, a subsidiary had contingent liabilities from letter of guarantee issued by bank for guarantee purchasing goods of Baht 2 million.

31.3 As at December 31, 2009 and 2008, the Company had contingent liabilities on guarantee for overdraft line, short - term loan line, aval promissory notes, long - term loans and letter of guarantee credit line for a subsidiary, Prin Venture Co., Ltd. in the amount of Baht 7.77 million and Baht 24.17 million, respectively.

31.4 As at December 31, 2009 and 2008, the Company was sued in the a civil cases as follows :

In 2004, the Company and a director weresued in the criminal case for the alleged of account payable default about purchasing the land to develop the Company's project. The seller entered into the sale and purchase agreement with another buyer. The litigant sued after the Company was transferred the right on title deed from the seller. On June 19, 2006, the Minburi Province Court has already revoked this case. On August 5, 2009, the Appeal Court stared the decisis of the Primary Court.

## 32. INVESTMENT PROMOTION PRIVILEGES

The Company was granted the privileges from investment under the Investment Promotion Act B.E. 2520, two certificates for the business of housing for the low and medium level income of buyers (residential area not less than 28 square meter per unit and selling price not exceed Baht 1 million (included land cost)). The rights and privileges comprise of the exemption of corporate income taxes for 5 years which had value not exceed Baht 68.34 million from the date of income earning from promoted activity is terminated on October 4, 2014 and October 11, 2014, respectively.

The Company must comply with the certain condition and regulation as specified in the investment promotion certificate.

As at December 31, 2009, the Company still has no income from promoted activity.



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**33. SEGMENT INFORMATION**

The Company and subsidiaries have operated in real estate business and sales of construction materials and have construction materials value in proportion not exceeding 10% of total sales volume which is immaterial to the presentation of segment information. The Company and subsidiaries' operations involve virtually in one geographical segment in domestic.

**34. DISCLOSURE AND PRESENTATION OF FINANCIAL INSTRUMENTS****34.1 Accounting Policy**

The significant accounting policies and method adopted the basis of recognition and measurement relating to each class of financial assets and liabilities have been disclosed in note 5.

**34.2 Interest Rate Risk**

Interest rate risk from changes in market interest rate will affect the results of the Company's operation and its cash flows. The Company's financial instruments are mostly indicated the market interest rate.

**34.3 Credit risk**

Credit risk derives from failure by counterparties to discharge their obligations resulting in financial loss to the Company and subsidiaries. The Company's management has manage the business with the carefully and adopted the accounting policy of income recognition from transferring ownership to the customer whenever the fully receives of payment is met. Subsidiary who engaged in distribution of construction materials, the management has adopted the policy to deal with creditworthy counterparties by determining the amount of credit line providing and provided allowance for doubtful accounts derived from credit risk.

**34.4 Fair Value of Financial Instruments**

Financial assets shown in balance sheets consist of cash on hand and at banks, current investment, promissory notes, accounts and notes receivables. Financial liabilities shown in balance sheets consist of bank overdrafts, short - term loans from financial institutions, promissory notes, accounts payable, assets payable and long - term loans.

The book value of financial assets and liabilities are close to their estimated fair value.

**35. CAPITAL MANAGEMENT**

The objective of capital management of the Company and subsidiaries is to prepare the financial structure to be properly appropriated and maintain the continuity of operation capability.

As at December 31, 2009 and 2008, the Company and subsidiaries have debt to equity ratio as summarized below :

	Consolidated financial statements		Separated financial statements	
	2009	2008	2009	2008
Debt to equity ratio	0.93	1.83	0.93	1.82

**36. FINANCIAL STATEMENTS APPROVAL**

These financial statements were authorized for issue by the Company's Board of directors on February 8, 2010.





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