

Group Lease Public Company Limited
Report and financial statements
31 December 2010 and 2009

Report of Independent Auditor

To the Shareholders of Group Lease Public Company Limited

I have audited the accompanying balance sheet of Group Lease Public Company Limited as at 31 December 2010, and the related statements of income, changes in shareholders' equity and cash flows for the year. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of Group Lease Public Company Limited for the year ended 31 December 2009, as presented herein for comparative purposes, were audited by another auditor of our firm who, under her report dated 12 February 2010, expressed an unqualified opinion on those statements.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Group Lease Public Company Limited as at 31 December 2010, and the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting principles.

Pimjai Manitkajohnkit

Certified Public Accountant (Thailand) No. 4521

Ernst & Young Office Limited

Bangkok: 7 February 2011

Group Lease Public Company Limited**Balance sheets****As at 31 December 2010 and 2009**

| | | | (Unit: Baht) |
|---|-------------|----------------------|----------------------|
| | <u>Note</u> | <u>2010</u> | <u>2009</u> |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 868,417 | 1,768,317 |
| Current portion of hire purchase and installment sales receivables, net | 7, 14 | 1,227,871,783 | 1,040,009,933 |
| Assets foreclosed, net | 8 | 17,482,797 | 7,391,398 |
| Revenue Department receivable | | 829,233 | - |
| Other current assets, net | 9 | 71,284,058 | 39,983,983 |
| Total current assets | | <u>1,318,336,288</u> | <u>1,089,153,631</u> |
| Non-current assets | | | |
| Pledged fixed deposit at financial institution | 10 | 268,598 | 265,311 |
| Long-term investments | | - | 2,000,000 |
| Hire purchase and installment sales receivables - long-term portion, net | 7, 14 | 1,182,177,315 | 861,550,360 |
| Property, plant and equipment, net | 11 | 59,026,233 | 50,358,361 |
| Deferred tax assets | 12 | 59,231,488 | 35,354,300 |
| Other non-current assets, net | | 27,694,679 | 23,851,098 |
| Total non-current assets | | <u>1,328,398,313</u> | <u>973,379,430</u> |
| Total assets | | <u>2,646,734,601</u> | <u>2,062,533,061</u> |

The accompanying notes are an integral part of the financial statements.

Group Lease Public Company Limited**Balance sheets (continued)****As at 31 December 2010 and 2009**

| | | | (Unit: Baht) |
|---|-------------|----------------------|----------------------|
| | <u>Note</u> | <u>2010</u> | <u>2009</u> |
| Liabilities and shareholders' equity | | | |
| Current liabilities | | | |
| Bank overdraft and short-term loans from | | | |
| financial institutions | 13 | 72,921,439 | 25,346,459 |
| Trade accounts payable | | 3,800,250 | 1,496,375 |
| Current portion of long-term loans | 15 | 788,126,025 | 746,981,184 |
| Corporate income tax payable | | 63,515,509 | 36,760,097 |
| Insurance premium payables | | 15,446,334 | 15,220,848 |
| Accrued expenses | | 15,263,654 | 9,732,745 |
| Other current liabilities | | 22,470,925 | 15,963,361 |
| Total current liabilities | | <u>981,544,136</u> | <u>851,501,069</u> |
| Non-current liabilities | | | |
| Long-term loans, net of current portion | 15 | 629,458,975 | 289,857,816 |
| Provision for employee compensation | | 22,172,253 | - |
| Cash guarantee for damage on hire purchase agreements | | 2,999,067 | 6,998,135 |
| Total non-current liabilities | | <u>654,630,295</u> | <u>296,855,951</u> |
| Total liabilities | | <u>1,636,174,431</u> | <u>1,148,357,020</u> |

The accompanying notes are an integral part of the financial statements.

Group Lease Public Company Limited**Balance sheets (continued)****As at 31 December 2010 and 2009**

| | | | (Unit: Baht) |
|---|-------------|----------------------|----------------------|
| | <u>Note</u> | <u>2010</u> | <u>2009</u> |
| Shareholders' equity | | | |
| Share capital | 16 | | |
| Registered | | | |
| 86,300,000 ordinary shares of Baht 5 each | | | |
| (2009: 79,800,000 ordinary shares of Baht 5 each) | | 431,500,000 | 399,000,000 |
| Issued and paid-up | | | |
| 56,416,996 ordinary shares of Baht 5 each | | | |
| (2009: 56,167,890 ordinary shares of Baht 5 each) | | 282,084,980 | 280,839,450 |
| Share premium | 16 | 192,189,327 | 187,655,598 |
| Warrants | 14, 17 | 4,376,601 | 4,426,422 |
| Retained earnings | | | |
| Appropriated - statutory reserve | 19 | 43,150,000 | 39,954,571 |
| Unappropriated | | 488,759,262 | 401,300,000 |
| Total shareholders' equity | | <u>1,010,560,170</u> | <u>914,176,041</u> |
| Total liabilities and shareholders' equity | | <u>2,646,734,601</u> | <u>2,062,533,061</u> |
| | | 0 | 0 |

The accompanying notes are an integral part of the financial statements.

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Directors

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Group Lease Public Company Limited**Income statements****For the years ended 31 December 2010 and 2009**

| | | (Unit: Baht) | |
|--|-------------|--------------------|--------------------|
| | <u>Note</u> | <u>2010</u> | <u>2009</u> |
| Revenues | | | |
| Hire purchase interest and installment sales income | | 802,770,766 | 742,158,854 |
| Other income | | 62,545,061 | 58,048,282 |
| Total revenues | | <u>865,315,827</u> | <u>800,207,136</u> |
| Expenses | | | |
| Selling and administrative expenses | | 169,485,805 | 117,665,588 |
| Directors and management benefit expenses | 14 | 17,094,929 | 13,592,695 |
| Bad debts and doubtful accounts | 7 | 118,888,740 | 125,152,114 |
| Loss on disposals of foreclosed assets | | 118,811,813 | 217,585,998 |
| Total expenses | | <u>424,281,287</u> | <u>473,996,395</u> |
| Income before finance cost and corporate income tax | | 441,034,540 | 326,210,741 |
| Finance cost | 14 | (75,032,333) | (84,726,200) |
| Income before corporate income tax | | <u>366,002,207</u> | <u>241,484,541</u> |
| Corporate income tax | 12 | (102,749,168) | (60,355,784) |
| Net income for the year | | <u>263,253,039</u> | <u>181,128,757</u> |
| Earnings per share | 21 | | |
| Basis earnings per share | | | |
| Net income | | 4.67 | 3.29 |
| Weighted average number of ordinary shares (shares) | | <u>56,348,138</u> | <u>55,098,794</u> |
| Diluted earnings per share | | | |
| Net income | | 4.25 | 3.25 |
| Weighted average number of ordinary shares (shares) | | <u>61,919,676</u> | <u>55,691,915</u> |

The accompanying notes are an integral part of the financial statements.

Group Lease Public Company Limited**Cash flow statements****For the years ended 31 December 2010 and 2009**

| | (Unit: Baht) | |
|--|----------------------|--------------------|
| | <u>2010</u> | <u>2009</u> |
| Cash flows from operating activities | | |
| Net income before tax | 366,002,207 | 241,484,541 |
| Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities: | | |
| Depreciation | 7,835,899 | 7,069,310 |
| Bad debts and doubtful accounts | 118,888,740 | 125,152,114 |
| Loss (gain) on sales of property, plant and equipment | 12,632 | (374,030) |
| Loss on disposals of assets foreclosed | 118,811,813 | 217,585,998 |
| Loss on diminution in value of assets foreclosed (reversal) | 4,950,423 | (5,739,715) |
| Provision for employee compensation | 22,172,253 | - |
| Interest expenses | 65,032,333 | 70,726,200 |
| Income from operating activities before changes in operating assets and liabilities | 703,706,300 | 655,904,418 |
| Operating assets (increase) decrease | | |
| Hire purchase and installment sales receivables | (627,365,980) | 106,806,141 |
| Assets foreclosed | (133,853,635) | (211,266,124) |
| Revenue Department receivable | (829,233) | 395,912 |
| Other current assets | (31,311,641) | (4,603,990) |
| Other non-current assets | (3,826,674) | (2,999,190) |
| Operating liabilities increase (decrease) | | |
| Trade accounts payable | 2,303,875 | 674,915 |
| Insurance premium payables | 225,486 | 1,693,800 |
| Accrued expenses | 5,423,356 | (1,390,209) |
| Other current liabilities | 6,509,317 | 6,620,745 |
| Guarantee for damage from hire purchase agreements | (3,999,068) | (10,755,147) |
| Cash flows from (used in) operating activities | (83,017,897) | 541,081,271 |
| Cash paid for interest expenses | (64,924,780) | (71,155,450) |
| Cash paid for corporate income tax | (99,872,696) | (68,783,280) |
| Net cash flows from (used in) operating activities | <u>(247,815,373)</u> | <u>401,142,541</u> |

The accompanying notes are an integral part of the financial statements.

Group Lease Public Company Limited**Cash flow statements (continued)****For the years ended 31 December 2010 and 2009**

| | (Unit: Baht) | |
|---|---------------------|----------------------|
| | <u>2010</u> | <u>2009</u> |
| Cash flows from investing activities | | |
| Increase in pledged fixed deposits at financial institutions | (3,287) | (5,804) |
| Proceeds from redemption of long-term investment | 2,000,000 | - |
| Increase in accounts receivable and loans to employees | (16,907) | (17,598) |
| Proceeds from sales of property, plant and equipment | 10,124 | 725,390 |
| Acquisitions of property, plant and equipment | (16,526,527) | (7,117,159) |
| Net cash flows used in investing activities | <u>(14,536,597)</u> | <u>(6,415,171)</u> |
| Cash flows from financing activities | | |
| Increase (decrease) in bank overdraft and short-term loans from financial institutions | 47,574,980 | (119,653,541) |
| Cash receipt from long-term loans | 1,350,000,000 | 620,000,000 |
| Repayment of long-term loans | (969,254,000) | (864,444,333) |
| Cash receipt from exercise of warrants | 5,729,438 | 49,861,470 |
| Cash receipt from warrant issuance | - | 4,860,000 |
| Dividend paid | (172,598,348) | (86,498,551) |
| Net cash flows from (used in) financing activities | <u>261,452,070</u> | <u>(395,874,955)</u> |
| Net decrease in cash and cash equivalents | <u>(899,900)</u> | <u>(1,147,585)</u> |
| Cash and cash equivalents at beginning of year | 1,768,317 | 2,915,902 |
| Cash and cash equivalents at the end of year | <u>868,417</u> | <u>1,768,317</u> |
| | - | - |

Supplement cash flows information**Non-cash items**

Issuance of ordinary shares during the year
from the exercise of warrants

49,821 433,578

The accompanying notes are an integral part of the financial statements.

Group Lease Public Company Limited

Statements of changes in shareholders' equity

For the years ended 31 December 2010 and 2009

(Unit: Baht)

| | | Issued and paid-up | | | Retained earnings | | |
|---|------|-----------------------|--------------------|------------------|-------------------|--------------------|----------------------|
| | Note | share capital | Share premium | Warrants | Appropriated | Unappropriated | Total |
| Balance as at 31 December 2008 | | 270,000,000 | 148,200,000 | - | 36,824,365 | 309,800,000 | 764,824,365 |
| Issuance of warrants during year | | - | - | 4,860,000 | - | - | 4,860,000 |
| Issuance of ordinary shares during year | | | | | | | |
| from the exercise of warrants | 16 | 10,839,450 | 39,455,598 | (433,578) | - | - | 49,861,470 |
| Net income for the year | | - | - | - | - | 181,128,757 | 181,128,757 |
| Dividend paid | 18 | - | - | - | - | (86,498,551) | (86,498,551) |
| Transfer unappropriated retained earnings | | | | | | | |
| to statutory reserve | 19 | - | - | - | 3,130,206 | (3,130,206) | - |
| Balance as at 31 December 2009 | | <u>280,839,450</u> | <u>187,655,598</u> | <u>4,426,422</u> | <u>39,954,571</u> | <u>401,300,000</u> | <u>914,176,041</u> |
| Balance as at 31 December 2009 | | 280,839,450 | 187,655,598 | 4,426,422 | 39,954,571 | 401,300,000 | 914,176,041 |
| Issuance of ordinary shares during year | | | | | | | |
| from the exercise of warrants | 16 | 1,245,530 | 4,533,729 | (49,821) | - | - | 5,729,438 |
| Net income for the year | | - | - | - | - | 263,253,039 | 263,253,039 |
| Dividend paid | 18 | - | - | - | - | (172,598,348) | (172,598,348) |
| Transfer unappropriated retained earnings | | | | | | | |
| to statutory reserve | 19 | - | - | - | 3,195,429 | (3,195,429) | - |
| Balance as at 31 December 2010 | | <u>282,084,980</u> | <u>192,189,327</u> | <u>4,376,601</u> | <u>43,150,000</u> | <u>488,759,262</u> | <u>1,010,560,170</u> |
| | | - | - | - | - | - | - |
| | | - | - | - | - | - | - |

The accompanying notes are an integral part of the financial statements.

Group Lease Public Company Limited

Notes to financial statements

For the years ended 31 December 2010 and 2009

1. General information

Group Lease Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the hire purchase of motorcycles and its registered address is 63 Soi 1, Tesabalnimitretai Road, Ladyao, Chatujak, Bangkok.

The major shareholders of the Company are Engine Holdings Asia Pte. Ltd. (incorporated in Singapore) and A.P.F Management Company Limited (incorporated in Thailand), which owns 48.58% and 19.50% of the Company’s share capital, respectively. The parent company of the group is Wedge Holdings Company Limited (incorporated in Japan).

2. Basis of preparation

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547, except for the early adoption of Thai Accounting Standard No. 12 “Income Taxes” as announced in the Royal Gazette on 26 May 2010.

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

3. Adoption of new accounting standards

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

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

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

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

| | |
|-----------------------|--|
| TFRS 5 (revised 2009) | Non-current Assets Held for Sale and Discontinued Operations |
| TFRS 6 | Exploration for and Evaluation of Mineral Resources |
| TFRIC 15 | Agreements for the Construction of Real Estate |

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

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

However, the Company has early adopted TAS 12. In addition, the Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standard which management expects the impact on the financial statements in the year when it is adopted.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognized in the period in which the service is performed by the employee. An entity has to evaluate and record employee retirement benefit liabilities using actuarial techniques. The Company currently accounts for such employee benefits when they are paid or payable.

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

4. Significant accounting policies

4.1 Revenue recognition

- a) Hire purchase interest and installment sales income

Hire purchase interest and installment sales income is recognised as income over the period of payment, using the effective rate method, with income recognised when the installments fall due irrespective of when actual collection is made. However, recognition of interest income is ceased for receivables which have defaulted on more than 4 scheduled installment payments.

b) Penalty income

Penalty income is recognised when received.

c) Other fee income

Fee for other services is recognised as income on an accrual basis.

d) Interest income

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

4.2 Expense recognition

a) Interest expenses

Interest expenses are charged to expenses on an accrual basis. Interest included in face value of note payable is amortised to expenses evenly throughout the term of the notes.

b) Commissions and direct expenses of the hire purchase contracts.

The Company recognises initial commissions and direct expenses arising in respect of hire purchase contracts as expenses by amortising them over the installment period using the effective interest rate method, with amortisation presented as a deduction from hire purchase interest income.

Unearned interest income is stated net of initial commissions and direct expenses of hire purchase contracts.

4.3 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

4.4 Hire purchase and installment sales receivables

Hire purchase and installment sales receivables are stated at the net realisable value. Unearned hire purchase interest income are deducted from hire purchase and installment sales receivables. The Company provides allowance for doubtful accounts at the percentage of the amount of outstanding receivables net of unearned hire purchase interest income, based on the number of months overdue.

4.5 Assets foreclosed

These represent assets repossessed from hire purchase and installment sales receivables and are stated at the lower of cost (which mostly comprises the net outstanding balance) and estimated net realisable value. Allowance is made for the decline in value of the repossessed assets.

4.6 Investments

Investments in debt securities expected to be held to maturity are recorded at amortised cost. The premium/discount on debt securities is amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.

The weighted average method is used for computation of the cost of investments.

4.7 Property, plant and equipment/Depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any). Depreciation of buildings and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

| | |
|-------------------------------------|----------|
| Buildings | 20 years |
| Building improvement and lease area | 10 years |
| Furniture and office equipment | 5 years |

Depreciation for computers, equipment and motor vehicles is calculated by the reference to their costs, using the sum of the years' digits method over useful lives of 3 - 5 years.

Depreciation is included in determining income.

No depreciation is provided for land.

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

4.8 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

4.9 Impairment of assets

The Company assesses at each reporting date whether there is an indication that property, plant and equipment and other intangible assets may be impaired. If any indication exists, the Company estimates the assets recoverable amount. An assets recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

4.10 Employee benefits

Salary, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred. The Company records a provision for employee compensation for staff by calculating from the amounts expected to be paid to employees using rate consistent with the provisions of Labour Law.

4.11 Income tax

a) Current tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

b) Deferred tax

Deferred income tax is calculated based on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, by using the enacted tax rate at the balance sheet date.

The Company recognises deferred tax liabilities for taxable temporary differences and recognises deferred tax assets for deductible temporary differences and tax losses carried forward. The Company recognises deferred tax assets to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each balance sheet date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

4.12 Interest rate swap contracts

The net amounts of interest to be received from or paid to the counterparty under the interest rate swap contracts is recognised as income or expenses on an accrual basis.

4.13 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

5. Significant accounting judgments and estimates

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

5.1 Leases

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

5.2 Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management has estimated the percentage of the allowance for doubtful accounts for each age of receivable on the basis of historical statistical data, assessment of the risk associated with the receivable, the nature of the collateral provided, and actual losses arising from such debtors in the past, while emphasising the principal of conservatism.

5.3 Diminution in value of assets foreclose

In determining diminution in value of assets foreclose, management apply judgment in estimating the anticipated losses on such assets, based on analysis of various factors, including net realisable value, historical sales data, the age of the assets and the prevailing economic condition.

5.4 Deferred tax assets

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future profits.

5.5 Property, plant and equipment/Depreciation

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

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

5.6 Provision for employee compensation

In determining provision for employee compensation, the management needs to make judgements and estimates the amounts to be paid based on the reasonable assumptions, using rate consistent with the provisions of the Labour Law.

6. Cash and cash equivalents

| | (Unit: Baht) | |
|---------------------------|----------------|------------------|
| | <u>2010</u> | <u>2009</u> |
| Cash and cash equivalents | 79,000 | 612,000 |
| Bank deposits | 789,417 | 1,156,317 |
| Total | <u>868,417</u> | <u>1,768,317</u> |

As at 31 December 2010, bank deposits in saving accounts carried interest 0.25% per annum (2009: 0.25% per annum).

7. Hire purchase and installment sales receivables

7.1 As at 31 December 2010 and 2009, the balances of hire purchase and installment sales receivables are as follows:

(Unit: Baht)

| | Current portion of hire purchase and installment sales receivables | | Long-term portion of hire purchase and installment sales receivables | | Total | |
|---|--|----------------------|--|---------------------|----------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Normal receivables | | | | | | |
| Hire purchase and installment sales receivables | 2,000,698,279 | 1,646,245,667 | 1,570,327,279 | 1,145,563,571 | 3,571,025,558 | 2,791,809,238 |
| Accrued hire purchase and installment sales income | 58,496,576 | 51,392,906 | - | - | 58,496,576 | 51,392,906 |
| Less: Unearned hire purchase and installment sales income, net | (756,416,950) | (591,543,821) | (375,905,204) | (265,384,989) | (1,132,322,154) | (856,928,810) |
| Total normal receivable | 1,302,777,905 | 1,106,094,752 | 1,194,422,075 | 880,178,582 | 2,497,199,980 | 1,986,273,334 |
| Terminated agreements receivables | | | | | | |
| Hire purchase and installment sales receivables | 116,102,740 | 84,505,281 | 72,555,372 | 49,268,158 | 188,658,112 | 133,773,439 |
| Accrued hire purchase and installment sales income | 14,402,454 | 10,285,462 | - | - | 14,402,454 | 10,285,462 |
| Less: Unearned hire purchase and installment sales income, net | (41,880,021) | (29,166,648) | (19,990,429) | (13,305,042) | (61,870,450) | (42,471,690) |
| Total terminated agreements receivables | 88,625,173 | 65,624,095 | 52,564,943 | 35,963,116 | 141,190,116 | 101,587,211 |
| Total receivables | 1,391,403,078 | 1,171,718,847 | 1,246,987,018 | 916,141,698 | 2,638,390,096 | 2,087,860,545 |
| Less: Allowance for doubtful accounts | (163,531,295) | (131,708,914) | (64,809,703) | (54,591,338) | (228,340,998) | (186,300,252) |
| Hire purchase and installment sales receivables, net | 1,227,871,783 | 1,040,009,933 | 1,182,177,315 | 861,550,360 | 2,410,049,098 | 1,901,560,293 |

7.2 As at 31 December 2010 and 2009, the balances of hire purchase and installment sales receivables (net of unearned hire purchase income) and allowance for doubtful accounts aged on the basis of due dates, are summarised below.

(Unit: Baht)

| Aging | Hire purchase and installment sales receivables | | Percentage of allowance set up by the Company | Allowance for doubtful accounts | | Hire purchase and installment sales receivables, net | |
|--|--|----------------------|--|------------------------------------|--------------------|---|----------------------|
| | 2010 | 2009 | | 2010 | 2009 | 2010 | 2009 |
| Hire purchase and installment sales receivables | | | | | | | |
| Not yet due | 2,041,280,034 | 1,582,237,016 | 1 | 19,784,510 | 15,276,234 | 2,021,495,524 | 1,566,960,782 |
| Past due: | | | | | | | |
| 1 month | 199,050,168 | 159,639,047 | 1 | 1,947,145 | 1,557,722 | 197,103,023 | 158,081,325 |
| 2 - 3 months | 192,204,016 | 176,556,465 | 2 | 3,775,692 | 3,454,969 | 188,428,324 | 173,101,496 |
| 4 - 6 months | 112,238,972 | 99,571,067 | 100 | 110,677,742 | 97,561,187 | 1,561,230 | 2,009,880 |
| 7 - 12 months | 70,194,599 | 53,166,436 | 100 | 69,169,937 | 51,938,077 | 1,024,662 | 1,228,359 |
| Over 12 months | 23,422,307 | 16,690,514 | 100 | 22,985,972 | 16,512,063 | 436,335 | 178,451 |
| Total | 2,638,390,096 | 2,087,860,545 | | 228,340,998 | 186,300,252 | 2,410,049,098 | 1,901,560,293 |

- 7.3 As at 31 December 2010 and 2009, the future minimum lease payments receivable under hire purchase agreements together with the present value of the net minimum lease payments receivable are as follows:

(Unit: Baht)

| | 2010 | | 2009 | |
|--|-----------------------------------|--|-----------------------------------|--|
| | Minimum payments receivable | Present value of payments receivable | Minimum payments receivable | Present value of payments receivable |
| Within one year | 2,189,700,049 | 1,391,403,078 | 1,792,429,316 | 1,171,718,847 |
| After one year but not more than five years | 1,642,882,651 | 1,246,987,018 | 1,194,831,729 | 916,141,698 |
| Total minimum lease payments receivable | 3,832,582,700 | <u>2,638,390,096</u> | 2,987,261,045 | <u>2,087,860,545</u> |
| Less: Amounts representing finance charges | <u>(1,194,192,604)</u> | | <u>(899,400,500)</u> | |
| Present value of minimum lease payments | <u>2,638,390,096</u> | | <u>2,087,860,545</u> | |

- 7.4 The Company's hire purchase agreements have terms of 1 - 3 years and require settlement in equal installments.
- 7.5 As at 31 December 2010, the Company had transferred rights of claim under hire purchase agreements with outstanding balances (before net of unearned hire purchase interest income) of Baht 4,109 million (2009: Baht 4,162 million), in order to secure credit facilities granted by commercial banks as discussed in Notes 13 and 15.
- 7.6 On 30 April 2004, the Institute of Certified Accountants and Auditors of Thailand, with the approval of the Office of the Securities and Exchange Commission, stipulated an accounting guideline for the consumer finance business, whereby recognition of revenue is to cease for accounts receivable which are overdue by more than 3 installments. However, this accounting guideline provides an alternative whereby, in cases where a company believes that the guideline would not be appropriate, it is to disclose the method it uses, together with the reasons. The Company has a policy to cease recognising revenue from hire purchase receivables which are overdue by more than 4 installments. If the Company had followed this accounting guideline, the amount of revenue recognised for the years ended 31 December 2010 and 2009 would be reduced by Baht 1.48 million and Baht 5.79 million, respectively. However, allowance is fully provided for accounts receivable which are overdue by more than 3 installments and the

cessation of recognising revenue only from hire purchase receivables which are overdue by more than 4 installments therefore has no significant effect to the Company's net income for the years.

As at 31 December 2010 and 2009, there are outstanding hire purchase receivable amounting to approximately Baht 82.69 million and Baht 77.52 million, respectively for which installment payments are more than 3 installments overdue but for which revenue is still being recognised.

8. Assets foreclosed

As at 31 December 2010 and 2009, assets foreclosed are presented as follows:

| | (Unit: Baht) | |
|---|-------------------|------------------|
| | 2010 | 2009 |
| Reposessed assets | 25,811,817 | 10,769,995 |
| Less: Allowance for diminution in value of assets foreclosed | (8,329,020) | (3,378,597) |
| Assets foreclosed, net | <u>17,482,797</u> | <u>7,391,398</u> |

9. Other current assets

| | (Unit: Baht) | |
|---|-------------------|-------------------|
| | 2010 | 2009 |
| Accrued income | 5,741,170 | 6,452,584 |
| Prepaid expenses | 50,343,173 | 24,683,521 |
| Other receivable - sales of assets foreclosed | 15,940,369 | 10,355,071 |
| Undue input vat | 1,656,772 | 863,892 |
| Others | 129,024 | 155,365 |
| Total | 73,810,508 | 42,510,433 |
| Less: Allowance for doubtful accounts | (2,526,450) | (2,526,450) |
| Other current assets, net | <u>71,284,058</u> | <u>39,983,983</u> |

10. Pledged fixed deposit at financial institution

This represents fixed deposit pledged with bank for the issuance of letter of bank guarantees for the Company, as discussed in Note 23.2.

11. Property, plant and equipment

(Unit: Baht)

| | Land | Buildings | Building improvement and lease area | Furniture and office equipment | Computers and equipment | Motor vehicles | Total |
|----------------------------------|------------|------------|---|--------------------------------------|-------------------------------|-------------------|-------------|
| Cost | | | | | | | |
| 31 December 2009 | 30,378,654 | 42,821,684 | 4,772,832 | 19,749,928 | 9,404,185 | 13,678,128 | 120,805,411 |
| Additions | 5,603,886 | 2,583,214 | 135,202 | 721,024 | 1,451,295 | 6,031,906 | 16,526,527 |
| Disposals | - | - | - | (150,906) | (52,804) | (13,632) | (217,342) |
| 31 December 2010 | 35,982,540 | 45,404,898 | 4,908,034 | 20,320,046 | 10,802,676 | 19,696,402 | 137,114,596 |
| Accumulated depreciation | | | | | | | |
| 31 December 2009 | - | 30,984,385 | 4,643,164 | 18,759,098 | 7,001,239 | 9,059,164 | 70,447,050 |
| Depreciation for the year | - | 2,148,114 | 77,853 | 407,032 | 2,044,687 | 3,158,213 | 7,835,899 |
| Depreciation on disposals | - | - | - | (128,171) | (52,788) | (13,627) | (194,586) |
| 31 December 2010 | - | 33,132,499 | 4,721,017 | 19,037,959 | 8,993,138 | 12,203,750 | 78,088,363 |
| Net book value | | | | | | | |
| 31 December 2009 | 30,378,654 | 11,837,299 | 129,668 | 990,830 | 2,402,946 | 4,618,964 | 50,358,361 |
| 31 December 2010 | 35,982,540 | 12,272,399 | 187,017 | 1,282,087 | 1,809,538 | 7,492,652 | 59,026,233 |
| Depreciation for the year | | | | | | | |
| 2009 | | | | | | | 7,069,310 |
| 2010 | | | | | | | 7,835,899 |

As at 31 December 2010, certain equipment items of the Company has been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 30.02 million (2009: Baht 28.82 million).

The Company has mortgaged land and construction thereon with a total net book value as at 31 December 2010 of Baht 27.06 million (2009: Baht 29.02 million) as collateral for bank overdraft and short-term loans from financial institutions and long-term credit facilities as discussed in Notes 13 and 15.

12. Corporate income tax/deferred tax assets

Corporate income tax of the Company for the years 2010 and 2009 have been calculated at the rates of 30% and 25%, respectively on the income after adding back certain provisions and expenses which are disallowable for tax computation purposes.

Corporate income tax of the Company for the years ended 31 December 2010 and 2009 are as follows:

| | (Unit: Baht) | |
|---|--------------------|-------------------|
| | <u>2010</u> | <u>2009</u> |
| Income tax on taxable income | 126,626,356 | 72,181,603 |
| (Increase) decrease in deferred income tax assets | (16,806,674) | (11,825,819) |
| Effect from changing tax rate | <u>(7,070,514)</u> | <u>-</u> |
| Income tax as included in the income statements | <u>102,749,168</u> | <u>60,355,784</u> |

The components of deferred tax assets as presented in balance sheets as at 31 December 2010 and 2009 consist of:

| | (Unit: Baht) | |
|---|---------------------|---------------------|
| | <u>2010</u> | <u>2009</u> |
| Tax effect of non-deductible expenses | | |
| Allowance for doubtful accounts | 71,839,589 | 49,414,055 |
| Allowance for diminution of value foreclosed assets | 2,498,706 | 844,649 |
| Provision for employee compensation | 6,651,676 | - |
| Prepaid commission expenses | <u>(21,758,483)</u> | <u>(14,904,404)</u> |
| Total | <u>59,231,488</u> | <u>35,354,300</u> |

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

| | | (Unit: Baht) | |
|--|--------------------------------|-------------------|-------------------|
| | Interest rate (% per annum) | <u>2010</u> | <u>2009</u> |
| Bank overdraft | MOR | 22,921,439 | 346,459 |
| Short-term loans from financial institutions | MLR, MOR | <u>50,000,000</u> | <u>25,000,000</u> |
| Total | | <u>72,921,439</u> | <u>25,346,459</u> |

As at 31 December 2010 and 2009, bank overdraft and short-term loans from financial institutions are secured by the transfer of rights of claim under hire purchase agreements, the mortgage of land and the construction thereon and/or to be constructed thereon in the future and motorcycle registrations as requested by the lender.

14. Related party transactions

During the years, the Company had significant business transactions with related parties. Such transaction, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

| | | | (Unit: Baht) |
|--|-------------|-------------|---|
| | <u>2010</u> | <u>2009</u> | <u>Transfer pricing policy</u> |
| <u>Transactions with related companies</u> | | | |
| Hire purchase interest | 541,711 | - | Contract price |
| <u>Transactions with director</u> | | | |
| Interest expenses | - | 24,356 | At the rates of 7.25% and MOR per annum |

As at 31 December 2010 and 2009, the Company has no balances with related parties.

Directors and management's benefits

During the year ended 31 December 2010, the Company paid salaries, bonus, meeting allowance and gratuities to its directors and management totaling Baht 17.09 million (2009: Baht 13.59 million).

Warrants for directors and management

On 20 May 2008, the Company issued 206,300 warrants (GL-WA) to subscribe to the Company's ordinary shares, to be allotted to 11 directors and management. This represents 20.6% of the Company's warrants.

On 4 February 2009, the Company issued 2,412,996 warrants (GL-W1) to subscribe to the Company's ordinary shares, to be allotted to 6 existing shareholders who are directors and management. This represents 9.9% of the Company's warrants.

On 10 May 2009, the Company issued 118,100 warrants (GL-WB) to subscribe to the Company's ordinary shares, to be allotted to 11 directors and management. This represents 23.6% of the Company's warrants.

On 10 May 2010, the Company issued 104,700 warrants (GL-WC) to subscribe to the Company's ordinary shares, to be allotted to 10 directors and management. This represents 20.9% of the Company's warrants.

15. Long-term loans

The long-term loans, which the Company obtained from local financial institutions, are as detailed below.

| | | | | (Unit: Baht) |
|---|---------------|---------------|---|--|
| | Balance | | Interest rate per annum | Repayment condition |
| | 2010 | 2009 | | |
| <u>Loan agreement dated 26 February 2007</u> | | | | |
| Credit facility No. 3 | - | 3,000,000 | At the rate of MLR per annum | Thirty equal installments, with first installment due on the first interest payment date after drawing down credit facility |
| <u>Loan agreement dated 20 September 2007</u> | | | | |
| Credit facility No. 2 | - | 90,890,000 | At the rate of 1-month THBFIX + 0.97 per annum | Thirty equal installments, with first installment due on the last working day of March 2008 |
| <u>Loan agreement dated 28 April 2008</u> | | | | |
| Credit facility No. 1 | 47,833,333 | 435,166,667 | At the rate of MLR - 0.5 per annum | Thirty equal installments, with first installment due on the first interest payment date after drawing down loans under credit facility |
| <u>Loan agreement dated 29 January 2009</u> | | | | |
| Credit facility No. 1 | 113,585,000 | 291,449,000 | At the rate of MLR - 0.5 per annum | Twenty seven equal installments, with first installment due on the first interest payment date after drawing down loans under credit facility |
| <u>Loan agreement dated 22 October 2009</u> | | | | |
| Credit facility No. 1 | 720,666,667 | 216,333,333 | At the rate of MLR - 0.75 per annum | Thirty equal installments, with first installment due on the first interest payment date after drawing down loans under credit facility |
| <u>Loan agreement dated 25 August 2010</u> | | | | |
| Credit facility No. 1 | 535,500,000 | - | At the rate of MLR - 1.0 per annum | Thirty equal installments, with first installment due on the first interest payment date after drawing down loans under credit facility |
| Total | 1,417,585,000 | 1,036,839,000 | | |
| Less: Current portion | (788,126,025) | (746,981,184) | | |
| Long-term loans, net of current portion | 629,458,975 | 289,857,816 | | |

Movements in the long-term loans account during the year 2010 are summarised below.

| | (Unit: Baht) |
|--------------------------------|---------------|
| Balance as at 31 December 2009 | 1,036,839,000 |
| Add: Addition borrowings | 1,350,000,000 |
| Less: Repayment | (969,254,000) |
| Balance as at 31 December 2010 | 1,417,585,000 |

On 28 April 2008, the Company entered into a loan agreement with three commercial banks, as co-lenders, to obtain long-term loan facilities of Baht 1,000 million. The purposes of such loans are to repay the existing short-term loan and for use in the expansion of business. In order to reduce the fluctuation of interest rate risk, the Company has proportionately entered into an interest rate swap agreement, whereby a floating interest rate is to be swapped for a fixed interest rate at 6.75% per annum.

On 29 January 2009, the Company entered into a loan agreement with another commercial bank to obtain long-term loan facilities of Baht 400 million. The purposes of such loan are to repay the existing short-term loan and for use in the expansion of business.

On 22 October 2009, the Company entered into a loan agreement with three commercial banks, as co-lenders, to obtain long-term loan facilities of Baht 1,000 million. The purposes of such loans are to repay the existing short-term loan and for use in the expansion of business of the Company.

On 25 August 2010, the Company entered into a loan agreement with three commercial banks, as co-lenders, to obtain long-term loan facilities of Baht 1,000 million. The purposes of such loans are to repay the existing short-term loan and for use in the expansion of business of the Company.

The loan agreements contains covenants regarding, among other things, the maintenance of the proportion of shareholding of the major shareholders, dividend payment, and maintenance of a certain debt to equity ratio, ratio of hire purchase receivables more than three months' past due to total hire purchase receivables, ratio of total hire purchase receivables to loans, prohibition of disposal of assets or rights of claim under hire purchase agreements and prohibition of entering into new loan agreements.

The loans are secured by the transfer of rights of claim under hire purchase agreements, the mortgage of land and construction thereon and/or to be constructed thereon in the future, and motorcycle registrations as requested by the commercial banks.

As at 31 December 2010, the long-term credit facilities of the Company which have not yet drawn down amounted to Baht 430 million.

16. Share capital

16.1 Additional share subscription received from the exercise of warrants

During the current year, the Company received additional share subscription totaling Baht 5.73 million from the exercise of warrants, as detailed below.

| | Warrant | Ordinary share | Exercise price | Amount |
|-------|---------|----------------|----------------|----------------|
| | (Units) | (Shares) | (Baht/share) | (Million Baht) |
| GL-W1 | 249,106 | 249,106 | 23 | 5.73 |

The Company registered the increase in its paid up share capital to Baht 282.1 million with the Ministry of Commerce on 6 October 2010.

As at 31 December 2010, the Company had share premium amounting to Baht 192.2 million as a result of the capital increases.

16.2 Reconciliation of number of ordinary shares

| | (Unit: Shares) | |
|---|----------------|------------|
| | 2010 | 2009 |
| <u>Registered share capital</u> | | |
| Number of ordinary shares at the beginning of year | 79,800,000 | 79,800,000 |
| Increase in number of ordinary shares due to registration during the year | 6,500,000 | - |
| Number of ordinary shares at the end of year | 86,300,000 | 79,800,000 |
| <u>Issued and paid-up share capital</u> | | |
| Number of ordinary shares at the beginning of year | 56,167,890 | 54,000,000 |
| Increase in number of ordinary shares due to exercise of warrants during the year | 249,106 | 2,167,890 |
| Number of ordinary shares at the end of year | 56,416,996 | 56,167,890 |

17. Warrants

As at 31 December 2010, details of the warrants, which were issued by the Company, are as follows: -

| Type of warrant | Issue to | Issuance date of warrant | Number of warrants original issued | Warrant offer price | Period of warrant | Exercise price per share | Exercise ratio per 1 warrant |
|-----------------|-------------------------|--------------------------|------------------------------------|---------------------|-------------------|--------------------------|------------------------------|
| GL-WA | Directors and employees | 20 May 2008 | 1,000,000 | - | 3 years | Baht 12 | 1 ordinary share |
| GL-W1 | Existing shareholders | 4 February 2009 | 24,300,000 | Baht 0.20 | 3 years | Baht 23 | 1 ordinary share |
| GL-WB | Directors and employees | 10 May 2009 | 500,000 | - | 3 years | Baht 14.50 | 1 ordinary share |
| GL-WC | Directors and employees | 10 May 2010 | 500,000 | - | 3 years | Baht 16.59 | 1 ordinary share |

During the year, the movements of warrants of the Company are as follows: -

| | Number of warrants | | Number of | Number of warrants |
|---------|--------------------|----------------------|--------------------|--------------------|
| Type of | outstanding as at | Issuance of warrants | warrants exercised | outstanding as at |
| warrant | 31 December 2009 | during the year | during the year | 31 December 2010 |
| GL-WA | 1,000,000 | - | - | 1,000,000 |
| GL-W1 | 22,132,110 | - | (249,106) | 21,883,004 |
| GL-WB | 500,000 | - | - | 500,000 |
| GL-WC | - | 500,000 | - | 500,000 |

The annual general meeting of the Company's shareholders approved the allocation of 6,500,000 additional ordinary shares to support the private placement plan and the exercise of the warrants (GL-WC). The Company registered the increase in its registered share capital to Baht 431,500,000 on 28 April 2010.

18. Dividend

Dividends declared in 2010 consist of the following:

| | | (Unit: Baht) | |
|--|---|--------------------|--------------------|
| Dividends | Approved by | Total dividends | Dividend per share |
| Outstanding balance of dividend on 2009 operating result | Annual General Meeting of the shareholders on 21 April 2010 | 39,460,257 | 0.70 |
| Dividend on the first quarter of 2010 operating result | Board of Directors' meeting on 16 June 2010 | 48,512,597 | 0.86 |
| Dividend for three quarters of 2010 operating result | Board of Directors' meeting on 9 December 2010 | 84,625,494 | 1.50 |
| Total for 2010 | | <u>172,598,348</u> | <u>3.06</u> |

Dividends declared in 2009 consist of the following:

| | | (Unit: Baht) | |
|---|---|-----------------|--------------------|
| Dividends | Approved by | Total dividends | Dividend per share |
| Interim dividends for the first quarter of 2009 | Board of Directors' Meeting on 10 July 2009 | 47,181,028 | 0.84 |
| Interim dividends for 2009 | Board of Directors' Meeting on 11 November 2009 | 39,317,523 | 0.70 |
| Total for 2009 | | 86,498,551 | 1.54 |

19. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5% of its net income after deducting accumulated deficit brought forward (if any) until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

20. Expenses by nature

Significant expenses by nature are as follow:

| | (Unit: Baht) | |
|--|--------------|-------------|
| | <u>2010</u> | <u>2009</u> |
| Salary and wages and other employee benefits | 87,301,892 | 66,446,179 |
| Depreciation | 7,835,899 | 7,069,310 |

21. Earnings per share

Basic earnings per share is calculated by dividing the net income for the year by weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing net income for the year by the sum of the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

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

| | Net income | | Weighted average number of ordinary shares | | Earnings per share | |
|--|-----------------|-----------------|---|-------------------|--------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | (Thousand Baht) | (Thousand Baht) | (Thousand shares) | (Thousand shares) | (Baht) | (Baht) |
| Basic earnings per share | | | | | | |
| Net income | 263,253 | 181,129 | 56,348 | 55,099 | <u>4.67</u> | <u>3.29</u> |
| Effect of dilutive potential ordinary shares | | | | | | |
| GL-WA | - | - | 533 | 465 | | |
| GL-W1 | - | - | 4,643 | - | | |
| GL-WB | - | - | 218 | 128 | | |
| GL-WC | - | - | 177 | - | | |
| Total | <u>-</u> | <u>-</u> | <u>5,571</u> | <u>593</u> | | |
| Diluted earnings per share | | | | | | |
| Net income of ordinary shareholders assuming the conversion of dilutive potential ordinary shares | <u>263,253</u> | <u>181,129</u> | <u>61,919</u> | <u>55,692</u> | <u>4.25</u> | <u>3.25</u> |

The GL-W1 warrants for the year ended 31 December 2009, were not included as potential ordinary shares because their exercise price exceeds the weighted fair value during the year of the Company's ordinary shares.

22. Provident fund

The Company and employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contributed to the fund monthly at the rate of 3% of basic salary. The fund, which is managed by Ayudhya Fund Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the years 2010 and 2009, the Company contributed Baht 1,278,665 and Baht 1,209,919 respectively to the fund.

23. Commitments

23.1 Service commitments

As at 31 December 2010, the Company has the outstanding service commitments which are to be repaid within one year amounting to Baht 0.39 million (2009: Baht 0.30 million).

23.2 Guarantees

As at 31 December 2010, there was outstanding bank guarantee of approximately Baht 250,300 (2009: Baht 250,300) issued by the bank on behalf of the Company in respect of electricity and post guarantee.

24. Financial information by segment

The majority of the operations of the Company involves the single business segment of hire purchase of motorcycles, and is carried on in a single geographic area, Thailand. As a result, all revenues, operating income and assets as reflected in these financial statements pertain to the aforementioned industry and geographic area.

25. Financial instruments

25.1 Financial risk management

The Company's financial instruments principally comprise cash and cash equivalents, hire purchase and installment sales receivables, pledged fixed deposit at financial institution, accounts receivable and loans to employees, long-term investments, bank overdraft and short-term loans from financial institutions and long-term borrowings. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company is exposed to credit risk primarily with respect to hire purchase and installment sales receivables. The Company manages the risk by adopting appropriate credit control policies and procedures. In addition, the Company does not have high concentration of credit risk since it has a large customer base. Therefore, the Company does not expect to incur material financial losses in excess of the allowance for doubtful accounts it has already provided.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its deposits with financial institutions, hire purchase and installment sales receivables, pledged fixed deposit at financial institution, accounts receivable and loans to employees, long-term investments, bank overdraft and short-term loans from financial institutions and long-term borrowings. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2010 and 2009 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

| | 2010 | | | | |
|---|---------------------|-----------|------------------------|----------------------|----------|
| | Fixed interest rate | | Floating interest rate | Non-interest bearing | Total |
| | Within 1 year | 1-5 years | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | - | - | 0.41 | 0.46 | 0.87 |
| Hire purchase and installment sales receivables, net | 1,227.87 | 1,182.18 | - | - | 2,410.05 |
| Pledged fixed deposit at financial institution | 0.27 | - | - | - | 0.27 |
| Accounts receivable and loans to employees | - | - | - | 0.07 | 0.07 |
| Long-term investments | - | - | - | - | - |
| Financial liabilities | | | | | |
| Bank overdraft and short-term loans from financial institutions | - | - | 72.92 | - | 72.92 |
| Long-term loans | 788.13 | 629.46 | - | - | 1,417.59 |

(Unit: Million Baht)

| | 2009 | | | | |
|--|---------------------|-----------|---------------|----------------------|----------|
| | Fixed interest rate | | Floating | Non-interest bearing | Total |
| | Within 1 year | 1-5 years | interest rate | | |
| Financial assets | | | | | |
| Cash and cash equivalents | - | - | 0.86 | 0.91 | 1.77 |
| Hire purchase and installment sales receivables, net | 1,040.01 | 861.55 | - | - | 1,901.56 |
| Pledged fixed deposit at financial institution | 0.27 | - | - | - | 0.27 |
| Accounts receivable and loans to employees | - | - | - | 0.06 | 0.06 |
| Long-term investments | - | 2.00 | - | - | 2.00 |
| Financial liabilities | | | | | |
| Bank overdrafts and short-term loans from financial institutions | - | - | 25.35 | - | 25.35 |
| Long-term loans | 746.98 | 289.86 | - | - | 1,036.84 |

The Company entered into interest rate swap agreements to manage risk associated with the financial liabilities carrying floating interest. The detail of long-term loans is set out in Note 15. The detail of the interest rate swap agreements outstanding as at 31 December 2010 is, during the year 2008, the Company entered into an interest rate swap agreement for proportion of long-term loans from a local commercial bank for the period from 2 September 2008 to 31 March 2011, as mentioned in Note 15, to fixed rate of 6.75% per annum.

Foreign currency risk

The Company considers itself no foreign currency risk because it has no foreign currency transactions.

25.2 Fair values of financial instruments

Methodology of fair value measurement depends upon characteristics of the financial instruments. For the financial instruments which are regarded as traded in an active market, fair value has been determined by the latest quoted market price. If however the appropriate quoted market price cannot be determined, the fair value is determined using an appropriate valuation technique.

The Company establishes fair value of its financial instruments by adopting the following methods and assumptions:

- a) For financial assets and liabilities which have short-term maturity, including deposits with financial institutions, accounts receivable and loans to employees and bank overdraft and short-term loans from financial institutions, the carrying amounts at the balance sheet date are considered to be a reasonable approximation of their fair value.
- b) For hire purchase and installment sales receivables, fair values are the carrying amount net of unearned hire purchase income and allowance for doubtful accounts.
- c) For long-term investments and long-term loans from financial institutions carrying interest at the rates close to the market rates, fair value is the carrying amount in the balance sheet.

26. Capital management

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

According to the balance sheet as at 31 December 2010, the Company had a debt-to-equity ratio of 1.62:1 (2009: 1.26:1).

27. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised directors on 7 February 2011.