

(UNAUDITED BUT REVIEWED)

HOME PRODUCT CENTER PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2007

1. GENERAL INFORMATION

1.1 Corporate information

Home Product Center Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholders are Land and Houses Plc. and Quality Houses Plc., which were incorporated in Thailand. The Company is principally engaged in trading of construction materials, construction equipment and tools, decoration equipment, instruments, and space rental. Its registered address is 96/27 Moo 9, Tambol Bangkhen, Amphur Muang, Nonthaburi. As at 31 March 2007, the Company has a total of 29 branches (31 December 2006: 27 branches) located in Bangkok and other provinces.

1.2 Basis for the preparation of the interim financial statements

These interim financial statements have been prepared in accordance with Accounting Standard No. 41 “Interim financial statements”, with the Company choosing to present condensed interim financial statements. However, the Company has presented the balance sheets, and the statements of income, changes in shareholders’ equity and cash flows in the same format as the used for the annual financial statements.

These interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

1.3 Basis of consolidation

These consolidated financial statements include the financial statements of Home Product Center Public Company Limited and its subsidiary company and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2006. There has been no significant change in the composition of the group of companies during the current period.

1.4 Significant accounting policies

The interim financial statements have been prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2006.

1.5 Change in accounting policy for recording investment in subsidiary company in the separate financial statements

During the fourth quarter of 2006, the Company changed its accounting policy for recording investment in its subsidiary company in the separate financial statements from the equity method to the cost method, in compliance with Notification No. 26/2549 regarding Accounting Standard No. 44 “Consolidated Financial Statements and Accounting for Investments in Subsidiaries” (Amendment No. 1), issued by the Federation of Accounting Professions, under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method rather than the equity method.

During the current period, the Company has restated the separate financial statements for the three-month period ended 31 March 2006, as though the investment in the subsidiary had originally been recorded using the cost method. The change has the effect of increasing net income in the separate income statements for the three-month period ended 31 March 2006 by Baht 9.8 million (Baht 0.01 per share). The cumulative effect of the change in accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy for investment in subsidiary” in the separate statements of changes in shareholders’ equity.

(UNAUDITED BUT REVIEWED)

2. TRADE ACCOUNTS RECEIVABLE

(Unit: Thousand Baht)

	Consolidated financial		Separate financial statements	
	statements			
	31 March	31 December	31 March	31 December
	2007	2006	2007	2006
Trade accounts receivable	114,674	118,206	108,399	112,821
Check return receivable	21,205	21,806	21,205	21,806
Credit card and coupon receivable	15,806	22,076	15,806	22,064
Total	151,685	162,088	145,410	156,691
Less: Allowance for doubtful accounts	(25,241)	(25,241)	(25,241)	(25,241)
Trade accounts receivable - net	126,444	136,847	120,169	131,450

The outstanding balances of trade accounts receivable as at 31 March 2007 and 31 December 2006 are aged as follows:

(Unit: Thousand Baht)

	Consolidated financial		Separate financial statements	
	statements			
	31 March	31 December	31 March	31 December
	2007	2006	2007	2006
<u>Age of receivables</u>				
Not yet due	107,027	109,934	103,844	107,400
Past due:				
Upto 6 months	22,905	29,852	19,813	26,989
6 - 12 months	16	35	16	35
Over 12 months	21,737	22,267	21,737	22,267
Total	151,685	162,088	145,410	156,691
Less: Allowance for doubtful accounts	(25,241)	(25,241)	(25,241)	(25,241)

Trade accounts receivable - net	<u>126,444</u>	<u>136,847</u>	<u>120,169</u>	<u>131,450</u>
---------------------------------	----------------	----------------	----------------	----------------

(UNAUDITED BUT REVIEWED)

3. INVENTORIES

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March	31 December	31 March	31 December
	2007	2006	2007	2006
Inventories	3,286,055	2,923,796	3,286,055	2,923,796
Less: Allowance for stock				
obsolescence	(72,062)	(62,413)	(72,062)	(62,413)
Inventories - net	3,213,993	2,861,383	3,213,993	2,861,383

Inventories as at 31 March 2007 and 31 December 2006 included goods that payment depend on the Company's sales of the goods amounting to Baht 452.94 million and Baht 286.60 million, respectively. The Company recorded related trade accounts payable and such goods at the same amount.

4. INVESTMENT IN SUBSIDIARY

(Unit: Thousand Baht)

	Separate financial statements									
	Shareholding percentage		Paid-up capital		Cost		Equity method		Dividend	
	31 March 2007 (Percent)	31 December 2006 (Percent)	31 March 2007	31 December 2006	31 March 2007	31 December 2006	31 March 2007	31 December 2006	31 March 2007	31 March 2006
<u>Subsidiary</u>										
Market Village										
Company Limited	99.99	99.99	5,000	5,000	4,999	4,999	12,786	5,373	-	-

5. RELATED PARTY TRANSACTIONS

During the periods, the Company and its subsidiary had significant business transactions with the related companies (related by way of shareholding or common shareholders and/or common directors), which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions.

(UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	Consolidated		Separate		
	financial statements		financial statements		
	For the three-month		For the three-month		
	periods ended		periods ended		
	31 March		31 March		Pricing policy
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	
<u>Transactions with subsidiary company</u>					
(eliminated from consolidated financial statements)					
Sale of goods	-	-	68	2,189	Market price
Rental and service income	-	-	19,832	3,571	Baht 6.5 - 6.8 million per month for 2007 and Baht 6.5 million per month for 2006
Other income	-	-	5,423	3,794	Percentage of core revenue
Service expenses	-	-	-	4,360	Actual cost
Interest expenses	-	-	57	82	4.9 percent per annum
<u>Transactions with related companies</u>					
Sale of goods	4,350	23,244	4,350	23,244	Market price
Rental and service income	4,412	3,753	4,412	3,753	Percentage of sales
Interest income	266	119	266	119	0.5 percent per annum
Purchase of goods	626	1,603	626	1,603	Market price

As at 31 March 2007 and 31 December 2006, the Company had the following outstanding balances with related parties: -

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Deposit with financial institution</u>				
Land and Houses Retail Bank Plc.	<u>137</u>	<u>151</u>	<u>137</u>	<u>151</u>

(UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2007	2006	2007	2006
<u>Trade accounts receivable</u>				
Land and Houses Plc. and subsidiaries	3,305	3,452	3,305	3,452
Quality Houses Plc. and subsidiaries	940	5,127	940	5,127
Market Village Co., Ltd.				
(eliminated from consolidated				
financial statements)	-	-	49	84
Total	<u>4,245</u>	<u>8,579</u>	<u>4,294</u>	<u>8,663</u>
<u>Other receivable</u>				
Market Village Co., Ltd.				
(eliminated from consolidated				
financial statements)	-	-	4,807	5,238
<u>Other current asset - accrued income</u>				
Land and Houses Retail Bank Plc.	-	418	-	418
<u>Trade accounts payable</u>				
Quality Construction Products Plc.				
and subsidiaries	<u>444</u>	<u>530</u>	<u>444</u>	<u>530</u>
<u>Short-term loans from related party</u>				
Market Village Co., Ltd.				
(eliminated from consolidated				
financial statements)	-	-	55,000	40,000

(UNAUDITED BUT REVIEWED)

During the period, movements in the balances of loans from related party were as follows:

(Unit: Thousand Baht)

	Separate financial statements			
	31			31 March
	December			2007
	<u>2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>in (out)</u>
<u>Short-term loans from related party</u>				
Market Village Co., Ltd.	<u>40,000</u>	<u>15,000</u>	<u>-</u>	<u>-</u>
				<u>55,000</u>

Short-term loans from related party

The Company has received unsecured loans of Baht 55 million (31 December 2006: Baht 40 million) from subsidiary company, on which interest is payable on a monthly basis at a rate of 4.9 percent per annum. The loans are repayable at call.

Directors and management's remuneration

During 2007, the Company and its subsidiary paid salaries, meeting allowance and gratuities to their directors and management totaling Baht 1.99 million (2006: Baht 1.50 million).

6. PROPERTY, PLANT AND EQUIPMENT

Movements of the property, plant and equipment account during the three-month period ended 31 March 2007 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Cost		
Balance as at 31 December 2006	8,674,872	8,659,631
Acquisitions during the period	744,232	744,143
Disposals during the period	<u>(7,245)</u>	<u>(7,245)</u>

Balance as at 31 March 2007

9,411,859

9,396,529

(UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Accumulated depreciation		
Balance as at 31 December 2006	1,237,491	1,235,015
Depreciation for the period	138,048	137,308
Depreciation on disposals	(6,247)	(6,247)
Balance as at 31 March 2007	1,369,292	1,366,076
Allowance for impairment		
Balance as at 31 December 2006	-	-
Increase during the period	8,250	8,250
Balance as at 31 March 2007	8,250	8,250
Net book value		
Balance as at 31 December 2006	7,437,381	7,424,616
Balance as at 31 March 2007	8,034,317	8,022,203

The Company has mortgaged all land, buildings and leasehold rights (Note 7) including construction thereon and part of its furniture, fixtures and equipment to secure credit facilities from banks as described in Note 8 and 11.

7. LEASEHOLD RIGHTS AND SOFTWARE

Movements in the balance of leasehold rights and software during the three-month period ended 31 March 2007 are summarised below.

(UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	Leasehold		Leasehold	
	rights	Software	rights	Software
Cost				
Balance as at 31 December 2006	622,419	160,903	622,419	160,894
Acquisitions during the period	-	985	-	985
Balance as at 31 March 2007	622,419	161,888	622,419	161,879
Accumulated depreciation				
Balance as at 31 December 2006	88,556	48,773	88,556	48,771
Depreciation for the period	5,606	4,211	5,606	4,212
Balance as at 31 March 2007	94,162	52,984	94,162	52,983
Allowance for impairment				
Balance as at 31 December 2006	-	-	-	-
Increase during the period	-	3,000	-	3,000
Balance as at 31 March 2007	-	3,000	-	3,000
Net book value				
Balance as at 31 December 2006	533,863	112,130	533,863	112,123
Balance as at 31 March 2007	528,257	105,904	528,257	105,896

8. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

As at 31 March 2007 and 31 December 2006, the Company had overdraft lines totalling Baht 95 million from banks, some of which are secured by leasehold rights and construction.

As at 31 March 2007, the Company had short-term loans totalling Baht 424 million from four financial institutions. The loans carry interest at rates of 4.5 - 5.0 percent per annum and are not secured. The loans consist of promissory notes amounting to Baht 55 million which are repayable at call, and Baht 369 million which is due in April 2007.

(UNAUDITED BUT REVIEWED)

9. LIABILITIES UNDER HIRE PURCHASE AGREEMENTS

(Unit: Thousand Baht)

	Consolidated and separate financial statements			
	Portion due		Portion due	
	Within one year		over one year	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006
Liabilities under hire purchase agreements	20,823	20,545	16,208	15,830
Less: Deferred interest expense	(1,661)	(1,496)	(828)	(762)
Net	19,162	19,049	15,380	15,068

10. DEBENTURES

Debentures of the Company consist of:

	Consolidated and separate financial statements			
	Number of debentures (Unit)		Amount (Thousand Baht)	
	31 March	31 December	31 March	31 December
	2007	2006	2007	2006
Unsecured Debentures # 1/2548				
Series 1	500,000	500,000	500,000	500,000
Series 2	500,000	500,000	500,000	500,000
Total	1,000,000	1,000,000	1,000,000	1,000,000
Less: Current portion			(500,000)	-
Net			500,000	1,000,000

At the extraordinary meeting of shareholders No. 1/2003 held on 27 June 2003, the shareholders passed a resolution approving the Company's issue debentures in an amount of not more than Baht 2 thousand million, or the equivalent in foreign currency, to be offered to the public or individuals or institutional investors in one or several tranches. On 17 March 2005, the Company issued Baht 1,000 million of debentures as detailed below.

(UNAUDITED BUT REVIEWED)

Name of debentures	" The Unsubordinated and Unsecured Debentures of Home Product Center Plc. No. 1/2005 Series 1 Due 2008 "	" The Unsubordinated and Unsecured Debentures of Home Product Center Plc. No. 1/2005 Series 2 Due 2009 "
Amounts	Baht 500 million	Baht 500 million
Term	3 years	4 years
Issue date	17 March 2005	17 March 2005
Interest rate	5.00 percent per annum	5.40 percent per annum
Interest payment schedule	Quarterly in March, June, September and December	Quarterly in March, June, September and December
Principal repayment	On the redemption date of 17 March 2008	On the redemption date of 17 March 2009
Covenants	Maintenance of debt to equity ratios and restrictions on dividend payment	Maintenance of debt to equity ratios and restrictions on dividend payment

11. LONG-TERM LOANS

(Unit: Thousand Baht)

	Consolidated and separate financial statements	
	31 March 2007	31 December 2006
Long-term loans	1,500,000	2,126,000
Less: Current portion	(300,000)	(429,000)
Long-term loans - net	<u>1,200,000</u>	<u>1,697,000</u>

(UNAUDITED BUT REVIEWED)

Details of the Company's long-term loans are as follows: -

(Unit: Thousand Baht)					
No.	Principal	Outstanding balances		Terms of payment (per installment/month)	Interest Rate
		31 March 2007	31 December 2006		
1	1,000,000	-	626,000	Baht 17 million	*
2	1,500,000	1,500,000	1,500,000	Baht 25 million	**
	Total	1,500,000	2,126,000		

The Company has pledged real estate and leasehold rights to secure the loans (Notes 6 and 7). The Company has to comply with certain covenants stipulated in the loan agreement such as the maintenance of certain debt to equity ratio and restrictions on payment of dividends in excess of the rate indicated in the agreement.

* : At 2.95 - 3.65 percent per annum, and since February 2006 at MLR minus an agreed margin

** : At 6 percent per annum and from 2009 onwards at MLR minus an agreed margin

12. SHARE CAPITAL

12.1 According to the minutes of 2006 Annual General Meeting of the shareholders held on 4 April 2006, the meeting passed resolutions approving the followings:

12.1.1 The cancellation of unpaid perform of the ordinary shares (including the 25,406,359 shares of Baht 1 each remaining after the exercise of the warrants by existing shareholders in accordance with the resolutions of the 2005 Annual General Meeting to offer shares by way of private placement) and approved the following new allotment of shares:

(UNAUDITED BUT REVIEWED)

- 1) 15,000,000 shares reserved for the exercise of the warrants to be allocated to employees of the Company (ESOP-W3).
- 2) 250,000 shares reserved for the exercise of issue 1/2005 of warrants to be allocated to employees of the Company (ESOP-W2) of which the exercise rights are to be adjusted.

If any shares remain after the above allocation of shares, as a result of warrants not being issued or exercised, the Board of Directors is to propose an allocation to a meeting of the shareholders for consideration.

- 3) The allocation of 10,156,359 shares to be cancelled.

12.1.2 The issue of 15,000,000 ordinary share warrants to employees of the Company (ESOP-W3), with a term of 3 years, with not more than 30, 35 and 35 percent of the warrants exercisable in years 1, 2 and 3, respectively.

12.1.3 Reduction of capital by cancellation of the 10,156,359 shares of Baht 1 each remaining unallocated from the offer of shares by way of private placement, as discussed in Note 12.1.1 above, from Baht 987,500,000 to Baht 977,343,641, divided into 977,343,641 ordinary shares at par value of Baht 1 each. In addition, the amendment of clause 4 of the Memorandum of Association to reflect the reduction in capital.

12.2 According to the minutes of Extraordinary Meeting No. 1/2006 of the Shareholders held on 31 October 2006, the Company passed a resolution to increase its share capital from Baht 977,343,641.00 to Baht 1,938,146,860 by issuing 960,803,219 ordinary shares of Baht 1 each. The Company has approved the following allocation of the additional ordinary shares:

(UNAUDITED BUT REVIEWED)

- 12.2.1 954,638,219 ordinary shares to be offered to the existing shareholders.
- 12.2.2 6,100,000 ordinary shares to be reserved to support the exercise of issue No.1/2004 of warrants to be allocated to employees of the Company (ESOP-W1).
- 12.2.3 65,000 ordinary shares to be reserved to support the exercise of issue No. 1/2005 of warrants to be allocated to employees of the Company (ESOP-W2)

The Company has amended clause four of the memorandum of association in order to reflect the increase in share capital.

Reconcile of number of ordinary shares

	(Unit: Shares)	
	For the three-month periods ended 31 March	
	<u>2007</u>	<u>2006</u>
<u>Registered share capital</u>		
Number of ordinary shares at beginning of period	1,938,146,860	987,500,000
Number of ordinary shares at end of period	<u>1,938,146,860</u>	<u>987,500,000</u>
<u>Issued and paid-up share capital</u>		
Number of ordinary shares at beginning of period	1,919,818,404	947,310,416
Increase from the exercise of ESOP-W1 and ESOP-W2	<u>505,982</u>	<u>6,776,074</u>
Number of ordinary shares at end of period	<u>1,920,324,386</u>	<u>954,086,490</u>

13. WARRANTS

In September 2004, the Company proceeded with the first issue of warrants to the employees in accordance with a resolution of the Annual General Meeting of Shareholders for the year 2004. It issued a total of 15,000,000 warrants, and one warrant can be exercised to purchase 1 ordinary share at a price of Baht 1.00 each, with exercise dates every three months

(UNAUDITED BUT REVIEWED)

In February 2006, the Company proceeded with the second issue of warrants to the employees, in accordance with the resolution of the Annual General Meeting of Shareholders for the year 2005. It issued a total of 7,000,000 warrants, and each warrant can be exercised to purchase 1 ordinary share at a price of Baht 1.00 each, with exercise dates every three months.

As a result of the Company's allotment of 7,000,000 ordinary share warrants to employees (ESOP-W2), the exercise ratio of the first issue of warrants to purchase ordinary shares to employees (ESOP-W1) was adjusted such that 1 warrant can be exercised to purchase 1.006 ordinary shares at a price of Baht 1 per share, effective from 28 February 2006 onwards.

In October 2006, the Company resolved to increase its share capital and this affected the exercise of the first and second issues of warrants allotted to the employees of the Company (ESOP-W1 and W2) as follows:

- One warrant of the first issue of warrants allotted to employees of the Company (ESOP-W1) can be exercised to purchase 1.811 ordinary shares at a price of Baht 1 per share.
- One warrant of the second issue of warrants allotted to employees of the Company (ESOP-W2) has can be exercised to purchase 1.800 ordinary shares at a price of Baht 1 per share.

Exercised date	Number of exercised warrants		Number of shares from exercise of warrants	Value of ordinary shares from exercise of warrants	Paid-up capital		Date of registration with the Ministry of Commerce
	ESOP-W1	ESOP-W2					
	(Units)	(Units)	(Shares)	(Baht)	(Shares)	(Baht)	
Beginning balance							
1 January 2006	7,316,775	-	-	-	947,310,416	947,310,416	-
28 February 2006	393,917	6,379,800	6,776,074	6,776,074	954,086,490	954,086,490	6 March 2006
31 May 2006	8,280	431,900	440,229	440,229	954,526,719	954,526,719	8 June 2006
31 August 2006	-	111,500	111,500	111,500	954,638,219	954,638,219	8 September 2006
30 November 2006	5,792,717	28,600	10,541,966	10,541,966	965,180,185	965,180,185	14 December 2006
28 February 2007	279,396	-	505,982	505,982	1,920,324,386	1,920,324,386	7 March 2007
Total	<u>13,791,085</u>	<u>6,951,800</u>					
Number of issued warrants	15,000,000	7,000,000					
Number of exercised warrants	<u>(13,791,085)</u>	<u>(6,951,800)</u>					
Number of unexercised warrants	<u>1,208,915</u>	<u>48,200</u>					

(UNAUDITED BUT REVIEWED)

14. CORPORATE INCOME TAX

Corporate income tax for the three-month periods ended 31 March 2007 and 2006, was calculated on the net income of the Company and subsidiary company after adding back certain expenses and provisions not yet allowed for tax purposes.

15. EARNING PER SHARE

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

Diluted earnings per share is calculated by dividing net income for the period by the weighted average number of ordinary shares in issue during the period 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 period or on the date the potential ordinary shares were issued.

Consolidated financial statements

	For the three-month periods ended 31 March					
	Net income		Weighted average number		Earnings	
	(Thousand Baht)		of ordinary shares (Thousand shares)		per share (Baht)	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Basic earnings per share</u>						
Net income of ordinary shares	138,952	118,004	1,919,998	949,720	<u>0.07</u>	<u>0.12</u>
Effect of dilutive potential ordinary shares	-	-	2,104	6,973		
<u>Diluted earnings per share</u>						
Net income of ordinary shareholders						
assuming the conversion of warrants to						
ordinary shares	<u>138,952</u>	<u>118,004</u>	<u>1,922,102</u>	<u>956,693</u>	<u>0.07</u>	<u>0.12</u>

(UNAUDITED BUT REVIEWED)

Separate financial statements

	For the three-month periods ended 31 March					
	Net income		Weighted average number		Earnings	
	(Thousand Baht)		of ordinary shares (Thousand shares)		per share (Baht)	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Basic earnings per share</u>						
Net income of ordinary shares	131,538	127,778	1,919,998	949,720	<u>0.07</u>	<u>0.13</u>
Effect of dilutive potential ordinary shares						
<u>Diluted earnings per share</u>	<u>-</u>	<u>-</u>	<u>2,104</u>	<u>6,973</u>		
Net income of ordinary shareholders						
assuming the conversion of warrants to						
ordinary shares	<u>131,538</u>	<u>127,778</u>	<u>1,922,102</u>	<u>956,693</u>	<u>0.07</u>	<u>0.13</u>

16. FINANCIAL INFORMATION BY SEGMENT

The majority of the operations of the Company and subsidiary involve the single business segment of trading of construction materials, construction equipment and tools, decoration equipment, instruments, and space rental and are carried on in a single geographic area, Thailand. As a result, all revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned industry and geographic area.

17. COMMITMENTS AND CONTINGENT LIABILITIES

17.1 As at 31 March 2007 and 31 December 2006, the Company has commitments totaling Baht 65.40 million and Baht 55.19 million, respectively, to a bank and four financial institutions in respect of guarantees provided for leasing, purchases of goods or hire of work, as bonds with State Enterprise.

17.2 The Company has entered into seven agreements with two companies to lease and sub-lease parts of premises in a department store for periods of 29-30 years, with contract values amounting to Baht 640.49 million. The terms of the agreements are until 2033 - 2036. The Company recognizes this income systematically on a straight-line basis over the useful lives of the leaseholds.

(UNAUDITED BUT REVIEWED)

17.3 As at 31 March 2007 and 31 December 2006, the Company has commitments under letters of credit opened with two commercial banks, amounting to USD 1.37 million and USD 1.02 million , respectively

18. COMMITMENT UNDER LONG-TERM LEASE AGREEMENT

18.1 The Company entered into seven land lease agreements, as follows :

Items	Agreement date	Periods	Maturing date	Rental fee
1	26 July 1996	26 years	31 July 2022	<ul style="list-style-type: none"> - First agreement: monthly rental of Baht 1.02 million for the 1st year, and then rising at a rate of 4% per annum - Second agreement: monthly rental of Baht 4.84 million for the 1st year, then rising at a rate of 10% every 3 years
2	1 January 1996	29 years 1 month	31 July 2025	<ul style="list-style-type: none"> - Payment for sub-lease of land of Baht 25.64 million, with an obligation of pay central expenses related to the land totaling Baht 51.58 million over the term of sub-lease.
3	13 July 2002	26 years	26 September 2028	<ul style="list-style-type: none"> - Grace period for the 1st year - Monthly rental of Baht 0.06 million for the 2nd year, then rising at a rate of 10% every 3 years

(UNAUDITED BUT REVIEWED)

Items	Agreement date	Periods	Maturing date	Rental fee
4	9 October 1996	30 years	14 October 2026	<ul style="list-style-type: none"> - Monthly rental of Baht 0.11 million for the 1st year and then rising every 5 years as follows - 6th-10th years - rates rises 33% on that of 5th year - 11th-15th years - rates rises 33% on that of 6th year - 16th-20th years - rates rises 25% on that of 11th year - 21st-25th years - rates rises 30% on that of 16th year - 26th-30th years - rates rises 27% on that of 21st year
	20 March 2004	8 years	14 October 2034	<ul style="list-style-type: none"> 8-year, extension of agreement, commencing from 15 October 2026 - 1st-3rd years - annual rental of Baht 13.55 million - 4th-6th years - annual rental of Baht 14.81 million - 7th-8th years - annual rental of Baht 16.19 million
5	6 November 2002	30 years	31 December 2033	<ul style="list-style-type: none"> - 1st-5th years - monthly rental of Baht 0.11 million - 6th-10th years - monthly rental of Baht 0.15 million - 11th-15th years - monthly rental of Baht 0.20 million - 16th-20th years - monthly rental of Baht 0.25 million - 21st-25th years - monthly rental of Baht 0.32 million - 26th-30th years - monthly rental of Baht 0.41 million

(UNAUDITED BUT REVIEWED)

Items	Agreement date	Periods	Maturing date	Rental fee
6	19 December 2003	30 years	22 December 2033	<ul style="list-style-type: none"> - 1st-5th years - annual rental of Baht 1.44 million - 6th-10th years - annual rental of Baht 1.58 million - 11th-15th years - annual rental of Baht 1.74 million - 16th-20th years - annual rental of Baht 1.92 million - 21st-25th years - annual rental of Baht 2.11 million - 26th-30th years - annual rental of Baht 2.32 million
7	28 December 2004	30 years	28 December 2034	<ul style="list-style-type: none"> - 1st-3rd years - monthly rental of Baht 5.04 million - Then rising at a rate of 10% every 3 years

18.2 The Company entered into 14 lease agreements of department space as follows:

Items	Agreement date	Periods	Maturing date	Rental fee
1	1 May 1999	24 years	30 April 2023	<ul style="list-style-type: none"> - Baht 0.15 million per month - Rising at a rate of 10% every 3 years
2	28 December 1999	17 years	31 December 2016	<ul style="list-style-type: none"> - Baht 0.16 million per month - Rising at a rate of 15% every 3 years
3	1 January 2000	23 years 6 months	30 June 2023	<ul style="list-style-type: none"> - Rental rises every 3 years at the following rates: - 1st-3rd years - Baht 0.47 - 0.62 million per month - Rising at the rate of 10% every 3 years

(UNAUDITED BUT REVIEWED)

Items	Agreement date	Periods	Maturing date	Rental fee
4	13 January 2000	22 years	30 June 2022	- Rental rises at the following rates every 3 years: - 1st-15th years - rental is Baht 0.26 - 0.45 million per month - 16th-18th years - rates rises by 50% on 15th year - 19th-21st years - rates rises by 15% on 18th year - 22nd year - rate rises by 15% on 21st year
5	1 May 2001	24 years	30 April 2025	- 1st-15th years - Baht 0.17 - 0.30 million per month - 16th-18th years - rate rising at the rate not over 50% - 19th-21st years - rates rises by 15% on 16th-18th years - 22nd-24th years - rates rises by 15% on 19th-21st years
6	23 February 2001	19 years 3 months	22 May 2020	- 1st-3rd years - Baht 0.58 million per month - 4th-12th years - rates rises at a rate 12% every 3 years - 13th-18th years - rates rises at a rate 7% every 3 years - 19th year - Baht 1.06 million per month
7	27 October 2001	20 years	26 October 2021	- Baht 0.32 million per month, and rising at a rate 12% every 3 years
8	28 May 2002	24 years	14 January 2026	- Baht 0.32 million per month
9	22 July 2002	24 years	21 July 2026	- Baht 0.24 million per month

(UNAUDITED BUT REVIEWED)

Items	Agreement date	Periods	Maturing date	Rental fee
10	15 August 2003	28 years	14 August 2031	- Baht 0.50 million per month, and rising at the rate 12% every 3 years
11	3 October 2003	24 years	2 October 2027	- 1st-2nd years - Baht 0.12 million per month - Since 3rd-24th years - change in the minimum rate of Baht 0.24 million per month
12	7 October 2004	25 years	6 October 2029	- 1st year - Baht 0.32 million per month - 2nd year - Baht 0.40 million per month - 3rd year - Baht 0.48 million per month - 4th-25th years - Baht 0.52 million per month
13	1 April 2006	24 years	31 March 2030	- Baht 0.20 million per month - Rates rising at the rate 10% every 3 years
14	23 December 2006	25 years	22 December 2031	- Baht 0.42 million per month - Rates rising at the rate 10% every 3 years

19. SUBSEQUENT EVENTS

19.1 On 2 April 2007, the Company has issued 15,000,000 warrants (ESOP-W3) to its employees in accordance with the resolution passed by the 2005 Annual General Meeting of Shareholders. Each warrant can be exercised to purchase one ordinary share at a price of Baht 1, and the exercise dates are every three months.

19.2 On 4 April 2007, the Company's Annual General Meeting of Shareholders for the year 2007 passed the following resolutions:-

19.2.1 Dividend payment

Approved a dividend payment for the year 2006 of Baht 0.12 per share, or total of Baht 230.44 million. The Company paid the dividend in April 2007.

(UNAUDITED BUT REVIEWED)

19.2.2 Warrant issuing

Approved the issue of 50,000,000 warrants (ESOP-W4) to its employees. Each warrant can be exercised to purchase one ordinary share, and has a term of five years, with no more than 20 percent of the issued warrants to be exercised each year. The exercise price is calculated at a 20 percent discount on the 30-day average closing price of the Company's shares.

19.2.3 Capital Increment

Approved a increase in the Company's registered share capital totalling Baht 50,400,000 from Baht 1,938,146,860 to Baht 1,988,546,860, through an issue of ordinary shares of Baht 1 each; and the Company's amendment of clause 4 of its memorandum of association.

19.2.4 Debenture issuing

Approved the Company's issue of debentures in an amount of not more than Baht 2,000 million, or the equivalent in another currency. The debentures must have a tenor of no less than 3 years and no more than 10 years.

20. FINANCIAL INSTRUMENTS

20.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 48 "*Financial Instruments: Disclosure and Presentations*", principally comprise cash and cash equivalents, trade accounts receivable, others receivable, short-term loans, debentures, and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

(UNAUDITED BUT REVIEWED)

Credit risk

The Company is exposed to credit risk primarily with respect to trade accounts receivable and other receivable. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentrations, of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts receivable and others receivable as stated in the balance sheet.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its deposits with financial institutions, short-term loans, debentures and long-term borrowings. However, since the Company's financial assets and some of its financial liabilities bear floating interest rates and some of financial liabilities bear fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 March 2007, classified by type of interest rate, are summarized in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

	Consolidated financial statements						Interest rate (% p.a.)
	Fixed interest rates						
	Within		Over	Floating	Non- interest	Total	
	1 year	1-5 years	5 years	interest rate	bearing		
	(Thousand Baht)						
<u>Financial assets</u>							
Cash and cash equivalent	-	-	-	28,945	91,189	120,134	0.5
<u>Financial liabilities</u>							
Bank overdraft and short-term							
loans from							
financial institutions	-	-	-	424,000	-	424,000	4.5 - 4.9
Debentures	500,000	500,000	-	-	-	1,000,000	5.0 - 5.4
Long-term loans	300,000	1,200,000	-	-	-	1,500,000	6.0
	800,000	1,700,000	-	424,000	-	2,924,000	

(UNAUDITED BUT REVIEWED)

	Separate financial statements						Interest rate (% p.a.)
	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	
	Within	Over					
	1 year	1-5 years	5 years				
	(Thousand Baht)						
<u>Financial assets</u>							
Cash and cash equivalent	-	-	-	9,238	90,865	100,193	0.5
<u>Financial liabilities</u>							
Banks overdraft and short-term loans from financial institutions	-	-	-	424,000	-	424,000	4.5 - 4.9
Short-term loans from related party	-	-	-	55,000	-	55,000	4.9
Debentures	500,000	500,000	-	-	-	1,000,000	5.0 - 5.4
Long-term loans	300,000	1,200,000	-	-	-	1,500,000	6.0
	800,000	1,700,000	-	479,000	-	2,979,000	

Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company has not entered into forward exchange contracts to hedge this risk.

The balances of financial liabilities denominated in foreign currencies as at 31 March 2007 are summarised below.

Foreign currency	Financial liabilities	Average exchange rate as at 31 March 2007
	(Dollar)	(Baht per dollar)
USD	161,327	35.1354

20.2 Fair values of financial instruments

Since some of the Company's financial assets and liabilities are short-term in nature and loans bear interest at rates close to market rate or floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

(UNAUDITED BUT REVIEWED)

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

21. RECLASSIFICATION

In addition to the change in accounting policy as mentioned in Note 1.5, which affects the previously reported net income and shareholders' equity, certain other amounts in the financial statements for the prior period have been reclassified to conform to the current period's classification, but with no effect to previously reported net income or shareholders' equity other than from the change in accounting policy.

22. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements have been authorised for issue by the authorised director of the Company on 4 May 2007.