

HOME PRODUCT CENTER PUBLIC COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

AS AT JUNE 30, 2004 (UNAUDITED/REVIEWED ONLY)

AND AS AT DECEMBER 31, 2003 (AUDITED)

1. PREPARATION OF INTERIM FINANCIAL STATEMENTS BASIS

Notes to interim financial statements have been prepared in conformity with the Accounting Standard no. 41 "Interim Financial Statements" for the purpose to provide an update information on the latest complete set of annual financial statements. Accordingly, it focuses on new activities, events, and circumstances and does not duplicate information previously reported. However, the balance sheets, statements of income, statements of changes in shareholders' equity and statements of cash flows are presented the same as previous annual financial statements. Therefore, this interim financial statements should access to the most recent annual financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared by using the accounting policy and estimates of the financial statements for the year ended December 31, 2003.

3. CASH AND CASH EQUIVALENTS

	June 30, 2004	Baht December 31, 2003
Cash on hand	15,032,553.76	14,535,520.46
Current accounts	10,608,873.21	6,563,878.79
Savings deposit	47,436,819.55	15,192,472.37
Total	<u>73,078,246.52</u>	<u>36,291,871.62</u>

4. ACCOUNTS RECEIVABLE - NET

	June 30, 2004	Baht December 31, 2003
Accounts receivable	139,211,798.74	103,303,732.88
Cheque return receivable	19,076,191.68	19,212,191.68
Credit card and coupon receivable	19,947,353.60	19,887,236.65
Total	<u>178,235,344.02</u>	<u>142,403,161.21</u>
Less Allowance for doubtful accounts	<u>(21,167,464.81)</u>	<u>(21,167,464.81)</u>
Accounts receivable - net	<u>157,067,879.21</u>	<u>121,235,696.40</u>

The Company has delinquent trade receivable, classified by aging which over 12 months as at June 30, 2004 and December 31, 2003 for the amount of Baht 19.08 million and Baht 19.21 million, respectively.

5. INVENTORIES

	June 30, 2004	Baht December 31, 2003
Inventories	1,917,615,150.07	1,746,350,432.48
Less Allowance for damaged goods	<u>(57,298,301.96)</u>	<u>(44,007,364.50)</u>
Total	<u>1,860,316,848.11</u>	<u>1,702,343,067.98</u>

Inventories as at June 30, 2004 and December 31, 2003 are included valuation of goods that will be paid after sales for the amount of Baht 168.12 million and Baht 189.18 million, respectively.

The Company recorded related companies payable and such goods at the same amount.

6. FIXED DEPOSIT

As at June 30, 2004 and December 31, 2003, the Company used part of fixed deposit as guarantee from the treatment under land agreement with a commercial bank of Baht 2 million and Baht 12 million, respectively.

7. PROPERTY, PLANT AND EQUIPMENT - NET

	December 31, 2003	Increase	Decrease	Transfer in (out)	June 30, 2004
Cost :					
Land and improvement					
on land	203,371,228.00	389,000,000.00	0.00	0.00	592,371,228.00
Building, building on lease					
land and improvement					
on lease land	1,360,664,288.23	4,258,827.57	(166,760.90)	0.00	1,364,756,354.90
Computer system	160,365,869.66	34,347,149.93	(6,304,791.50)	250,000.00	188,658,228.09
Office supplies	99,708,823.11	8,819,376.40	(755,988.82)	631,425.00	108,403,635.69
Furniture, fixtures and					
equipment	532,672,508.63	6,898,552.65	(1,655.00)	0.00	539,569,406.28
Vehicles	7,439,597.91	1,819,630.71	0.00	0.00	9,259,228.62
Building under construction					
on lease land	57,604,497.49	312,054,425.63	0.00	(631,425.00)	369,027,498.12
Computer system under					
installation	3,430,190.00	23,754,959.00	0.00	(250,000.00)	26,935,149.00
Furniture and equipment					
under installation	0.00	1,671,950.00	0.00	0.00	1,671,950.00
Total	2,425,257,003.03	782,624,871.89	(7,229,196.22)	0.00	3,200,652,678.70
Accumulated depreciation :					
Building, building on lease					
land and improvement					
on lease land	176,436,966.45	28,950,192.71	(1,187.59)	0.00	205,385,971.57
Computer system	48,071,616.00	15,364,101.47	(4,994,812.46)	0.00	58,440,905.01
Office supplies	41,196,959.86	8,996,791.96	(379,740.69)	0.00	49,814,011.13
Furniture and equipment					
under installation	124,615,472.90	34,845,207.83	(224.25)	0.00	159,460,456.48
Vehicles	2,162,510.32	882,515.76	0.00	0.00	3,045,026.08
Total	392,483,525.53	89,038,809.73	(5,375,964.99)	0.00	476,146,370.27
Net book value	2,032,773,477.50				2,724,506,308.43

Depreciation : For six months ended June 30, 2004 amounting to Baht 89,038,809.73.

For six months ended June 30, 2003 amounting to Baht 55,882,819.19.

Property, plant and equipment at book value before deducting accumulated depreciation in fully amount as at June 30, 2004 and December 31, 2003 amounting to Baht 25.43 million and Baht 24.79 million respectively are still being operated.

As at June 30, 2004 and December 31, 2003, the Company has mortgaged all leasehold and building on lease land and part of furniture, fixtures and equipment for guarantee commitment and contingent liabilities with commercial banks for credit line of Baht 1,675 million and Baht 563.76 million, respectively (note 9 and 10).

8. DEFERRED LEASEHOLD

	June 30, 2004	Baht December 31, 2003
Deferred leasehold	336,919,128.26	236,152,826.56
Add Increase during the year	0.00	100,766,301.70
Less Accumulated amortization	(41,634,142.78)	(35,212,993.80)
Deferred leasehold - net	<u>295,284,985.48</u>	<u>301,706,134.46</u>
Amortization of leasehold :		
For six months ended June 30, 2004 amounting to Baht		6,421,148.98
For six months ended June 30, 2003 amounting to Baht		4,116,963.14

Deferred leasehold are leasehold land and building which amortized on a period of the lease agreement. In 2003, the Company made payment for additional leasehold amount of Baht 100.77 million for the period of the lease is 24 - 30 years. The Company's loans are guaranteed by six leasehold right (note 9 and 10).

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

	June 30, 2004	Baht December 31, 2003
Bank overdrafts	15,921,584.98	19,414,482.54
Loans from finance companies	789,795,354.42	507,696,112.63
Total	<u>805,716,939.40</u>	<u>527,110,595.17</u>

9.1 The Company has overdrafts line with several banks for credit lines of Baht 120 million and some of credit lines are guaranteed by leasehold and construction.

9.2 Loans from finance companies of Baht 790 million are short-term loans from several financial statements by issuing promissory notes and bill of exchange, the amount of Baht 300 million are due at call and Baht 490 million are due in July 2004. Part of such loans are guaranteed by leasehold and construction (note 7 and 8).

10. LONG-TERM LOANS

	June 30, 2004	Baht December 31, 2003
Long-term loans	430,916,676.00	68,366,673.99
Less Current portion of long-term debt	(69,999,996.00)	(46,949,995.99)
Long-term loans - net	<u>360,916,680.00</u>	<u>21,416,678.00</u>

As at June 30, 2004 and December 31, 2003, the Company has long - term loans from 2 commercial banks for 3 and 4 credit lines, respectively consist of :

No. of credit line	Amount of credit line	Amount of Baht		Repayment conditions	
		March 31, 2004	Baht December 31, 2003	per installment/per months	
1	28,500,000.00	0.00	4,750,000.00	Baht 2.38 million	MLR
2	36,000,000.00	14,250,000.00	18,750,000.00	Baht 0.75 million	MLR
3	40,000,000.00	16,666,676.00	21,666,674.00	Baht 0.83 million	MLR
4	34,800,000.00	0.00	23,200,000.00	Baht 2.90 million	MLR
5	1,000,000,000.00	400,000,000.00	0.00	As detailed	
	Total	<u>430,916,676.00</u>	<u>68,366,674.00</u>		

For credit line of Baht 1,000 million will be made repayment at the fixed interest rate in the first 2 years and MLR - 1% thereafter, under the term of repayment not less than Baht 17 million per installment, commencing in March 2005.

The Company used real estate and leasehold right as guarantee for such credit lines in 2004 and also used leasehold right and construction on lease land, sub - leasehold and central utilities services in connection with sub - leasehold including part of furniture and equipment as guarantee for credit lines in 2003 (note 7 and 8).

11. DECORATION PAYABLE

	June 30, 2004	Baht December 31, 2003
Decoration payable	2,833,996.00	7,084,990.00
Less Current portion of long-term debt	(2,833,996.00)	(7,084,990.00)
Total	<u>0.00</u>	<u>0.00</u>

The Company entered into agreement to hire a company improve and decorate the building space in the amount of Baht 26.25 million and a hire purchase agreement of furniture and decoration equipment in the amount of Baht 16.26 million. Both agreements will be made through 60 installments of Baht 437,551.00 and Baht 270,948.00 each, respectively, commencing on November 10, 1999 and maturing on October 10, 2004.

12. LEGAL RESERVE

According to the Public Company Limited Act., the Company has appropriated its reserve as a legal reserve not less than 5% of the annual net profit after deduction of deficit brought forward (if any) as legal reserve until the reserve reaches 10% of authorized share capital.

13. EARNINGS PER SHARE

For three months ended March 31, 2004			
	Profit (Baht)	Number of share	Baht/share
Basic earnings per share			
Net profit of common shares	87,521,408.81	753,000,000	0.12
Effects of diluted potential common share			
- Exercise rights		54,570,423	
Diluted earnings per share			
Profit of common shareholders			
assumed as conversion to			
common share	87,521,408.81	807,570,423	0.11
For six months ended June 30, 2004			
	Profit (Baht)	Number of share	Baht/share
Basic earnings per share			
Net profit of common shares	167,102,106.31	753,000,000	0.22
Effects of diluted potential common share			
- Exercise rights		54,570,423	
Diluted earnings per share			
Profit of common shareholders			
assumed as conversion to			
common share	167,102,106.31	807,570,423	0.21

As at June 30, 2003, the convertible price of warrants are higher than the market value, therefore, there are no effects to the diluted earnings per share.

14. SHARE CAPITAL

According to the minutes of shareholders' general meeting for the year 2004 held on April 8, 2004, the Company passed the resolution to cancel the allotment of unpaid 50 million common shares at par value of Baht 1.00 each to offer by way of private placement as the Company has not offered the shares to such investors and the new shares allotment, be approved as follows :

1. Fifteen million common shares are reserved for exercising new warrants to be allocated to employees of the Company with the indicative terms concerning "The Scheme for Allocation of warrants to purchase ordinary shares of Home Product Center Public Company Limited (ESOP)" in accordance with the resolution of the shareholders' annual general meeting for the year 2004 which will be allotted to the Company's employees in the type of non-transferable and specified name of the holders for 15 million units of warrants with 3 years term commencing issuing date of warrants. One unit of warrant has a right to purchase 1 common share at Baht 1.00 each. The exercise period is on every 3 months. That project, there will be no employees entitled to received warrant more than 5 percent of total warrants.

2. Five million common shares are additionally reserved for exercising new warrants to be allocated to the existing shareholders no. 1, which the Company may adjust the exercise price and the exercise ratio, complied with the regulations and conditions of such warrants.

3. Thirty million common shares are allotted by way of private placement at the price of at least 80 percent of market price, of which is computed on weighted average price or average closing price of 10 historical days commencing the date that the Board of Directors passed the shares allotment, whether any price is higher in accordance with the notification of the SEC no. Kor Jor. 12/2000.

15. WARRANTS

On May 30, 2003, the warrant holders had exercise right on conversion of warrants for 3 million units.

As at June 30, 2004, the remaining warrants are as follows :

Number of warrants brought forward	187,500,000	Units
The number of exercised warrants up to June 30, 2004	3,000,000	Units
Balance number of warrants	<u>184,500,000</u>	Units

The aforementioned exercise right resulted increasing in common shares and premium on share capital of Baht 3 million and Baht 6 million, respectively.

16. DIRECTORS' REMUNERATION

Directors' remuneration is all benefits paid to the Company's directors excluding salaries and related benefits which paid to executive director for the period of six months ended June 30, 2004 of Baht 3 million (for the period of six months ended June 30, 2003, for the amount of Baht 1.2 million) which was presented in selling and administrative expenses.

17. COMMITMENT AND CONTINGENT LIABILITIES

17.1 The Company has commitment on bank and financial institutions of guarantee for leasing, purchased goods or hire of work and collateral against to the government agencies as at June 30, 2004 and December 31, 2003 of Baht 43.24 million and Baht 18.25 million, respectively.

17.2 The Company entered into 2 agreements for lease and sub-lease part of premise in 2 Department Store with a company for the period of 30 years and received the advance payment of Baht 42 million. The agreements will be due in 2033.

18. DIVIDEND PAID

According to the minutes of shareholders' general meeting for the year 2004 held on April 8, 2004, the Company passed the resolution to pay dividend for the year 2003 at Baht 0.12 per share amounting to Baht 90.36 million which was paid in April 2004.

19. TRANSACTION WITH RELATED COMPANIES

The Company's financial statements are included the transaction with its related companies of which related by common shareholders and/or directorship. These transaction are determined the policy as follows :

Type of inter - transaction	Policy to determine price
Inter - trading with related companies	Price and benefits are concluded in the normal course of business, market price or the group of companies concerned for non-market value transactions.

Type of inter - transaction	Type of relationship
- Land and Houses Plc. and subsidiaries	There are common shareholders and co-directors.
- Quality Houses Plc. and subsidiaries	There are common shareholders and co-directors.
- Quality Construction Products Plc. and subsidiaries	There are co-directors.

June 30, 2004 Baht December 31, 2003

Accounts receivable

Land and Houses Plc. and subsidiaries	58,871,893.79	53,956,283.82
Quality Houses Plc. and subsidiaries	17,161,403.27	19,168,882.36
Total	<u>76,033,297.06</u>	<u>73,125,166.18</u>

Accounts payable

Quality Construction Products Plc. and subsidiaries	1,508,103.23	861,830.44
Total	<u>1,508,103.23</u>	<u>861,830.44</u>

June 30, 2004 Baht June 30, 2003

Sales of goods

Land and Houses Plc. and subsidiaries	158,118,005.53	154,945,606.62
Quality Houses Plc. and subsidiaries	76,052,700.54	63,052,036.60
Total	<u>234,170,706.07</u>	<u>217,997,643.22</u>

Purchase of goods

Quality Construction Products Plc. and subsidiaries	3,051,935.45	350,611.40
Total	<u>3,051,935.45</u>	<u>350,611.40</u>