

HOME PRODUCT CENTER PUBLIC COMPANY LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2006 AND 2005

1. GENERAL INFORMATION

1.1 The Company was incorporated as a company limited and changed its status to be public company limited under the Thai Law on May 29, 2001 with the main engaged businesses of trading of construction materials, construction equipments and tools, decoration equipment and instruments.

1.2 The Company is located at 96/27 moo 9, Tambol Bangkhen, Amphur Muang, Nonthaburi 11000.

2. FINANCIAL STATEMENTS PRESENTATION BASIS

The consolidated financial statements and the Company's financial statements have been prepared in accordance with the notification of the Department of Business Development dated September 14, 2001 regarding the abbreviate items which must be shown in the financial statements. In addition, these financial statements have been prepared in conformity with generally accepted accounting principles under the Accounting Act B.E. 2543 including the Accounting Standards issued under the Accounting Professions Act B.E. 2547 and the regulation of the Office of Securities and Exchange Commission "Financial preparation and presentation" under the Securities and Exchange Act B.E. 2535.

The financial statements have been prepared under the historical cost convention, except as transaction disclosed in related accounting policy.

3. CONSOLIDATED FINANCIAL STATEMENTS PREPARATION BASIS

3.1 These financial statements are consolidated by including the accounts of its subsidiary which controlled by Home Product Center Public Company Limited. On May 26, 2005, the Company has invested in ordinary shares of Market Village Company Limited equal to 99.99% shareholding, therefore, the Company has prepared the consolidated financial statements since the second quarter of 2005.

3.2 Transactions between subsidiary companies

Transactions between Home Product Center Public Company Limited and its subsidiaries have been eliminated under the equity method as if Home Product Center Public Limited owns 100 percent shareholding in those subsidiaries, and the interest of other shareholders is shown as "Minority interest". The significant outstanding balance and transactions between Home Product Center Public Company Limited and its subsidiaries were eliminated from the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Income and expenses recognition

Revenues and expenditures are recorded on an accrual basis.

Revenue from sales of goods are recognized as income whenever the significant risk and rewards of ownership have been transferred to the buyer.

Rental and services are recognized on over the period of lease and services.

Services income are recognized whenever the services are rendered.

4.2 Cash and cash equivalents

Cash and cash equivalents are cash on hand and all type of deposits at banks excluding deposit which held to maturity and short-term highly liquid investments that are subject to insignificant risk of change in value.

4.3 Accounts receivable and allowance for doubtful accounts

Accounts receivable are stated at net realizable value. The Company and its subsidiaries provided allowance for doubtful accounts by the estimates of the management based on an analytical review of the aging, current status and uncollectible tendency.

4.4 Inventory valuation and allowance for damaged goods

Inventories are valued at the lower of cost or net realizable value by the weighted average method. The Company provided the allowance for damaged goods equal to the estimated from percentage of net sales of store.

4.5 Property, plant and equipment and depreciation

Land are stated at cost. Land improvement, building and equipment are stated at cost less accumulated depreciation and provision for impairment of assets.

Building and equipments and supplies are depreciated on a straight-line basis over the estimated useful lives of the assets as follows :

Buildings	20 years
Buildings on lease land and building improvement	on a period of the lease but not over the useful lives.
Computer system	3 - 10 years
Office supplies	5 years
Furniture, fixtures and equipment	5-10 years
Vehicles	5 years

4.6 Investments in subsidiary

Investments in subsidiary in the Company's financial statements are valued at cost. The Company will record impairment loss of general investment in the statements of income whenever the carrying amount is higher than net recoverable value.

4.7 Intangible assets

4.7.1 Leasehold right are stated at cost less accumulated amortization. The Company amortized leasehold right on a straight-line basis over the leasehold period.

4.7.2 Computer programme are stated at cost less accumulated amortization. The Company amortized computer programme on a straight-line basis over the estimated useful lives of the assets for 10 years.

4.8 Transactions in foreign currencies

The Company and its subsidiaries records transactions in foreign currencies by converting into Thai Baht using exchange rate ruling on the transactions dates. Assets and liabilities in foreign currencies as at the Balance Sheets date are converted into Thai Baht using exchange rates ruling on the same day.

Gain or Loss on exchange are taken into income or expense as incurred

4.9 Provident Fund

The Company established provident fund by the Company and employees contribute at the rate of 3-5% of employees' salaries. The fund managed by a certified manager which complied with the regulation of Provident Fund Act B.E. 2542.

4.10 Earnings per share

4.10.1 Basic earnings per share

Basic earnings (loss) per share is determined by dividing the net profit (loss) for the year by the weighted average number of common shares issued and paid-up during the year.

4.10.2 Diluted earnings per share

Basic earnings (loss) per share is determined by dividing the net profit (loss) for the year by the expense net of income taxes divided by the weighted average number shares issued during the period plus the weighted average number of common shares issued in the conversion of potential common shares to common shares.

4.11 Provision for liabilities

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

4.12 Use of Accounting Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumption that affected the reported amounts in the financial statements and disclosure in notes to financial statements. Consequent actual results may differ from those estimates.

5. CHANGES IN ACCOUNTING POLICY

In 2006, the Company has changed the accounting policy of recording investments in subsidiary in the Company's financial statements from equity to be cost method (as from Federation of Accounting Professions' announcement no.26/2549). The Company, therefore, made adjustment the beginning retained earnings and also made retroactive adjustment the restated 2005 financial statements by using cumulative effects of accounting policy of investment in subsidiary recognition under the cost method. From this change, the beginning retained earnings of year 2006 would be increased by the amount of Baht 1.54 million because of the Company started to invest in subsidiary company in 2005, thus, net profit for the year ended December 31, 2005 would be increased at the same amount.

6. CASH AND CASH EQUIVALENTS

	Baht : Thousand			
	Consolidated		Parent company	
	2006	2005	2006	2005
Cash on hand	57,796	31,588	57,267	31,578
Current accounts	61,143	33,534	61,106	4,571
Savings deposit	51,029	31,792	23,952	23,564
Fixed deposit for 3 months	0	1	0	1
Total	169,968	96,915	142,325	59,714

7. ACCOUNTS RECEIVABLE - NET

Baht : Thousand				
	Consolidated		Parent company	
	2006	2005	2006	2005
Accounts receivable	118,206	112,100	112,821	112,100
Cheque return receivable	21,806	22,450	21,806	22,450
Credit card and coupon receivable	22,076	34,236	22,064	34,236
Total	162,088	168,786	156,691	168,786
Less Allowance for doubtful accounts	(25,241)	(23,097)	(25,241)	(23,097)
Accounts receivable - net	136,847	145,689	131,450	145,689

Accounts receivable as at December 31, 2006 and 2005 were classified by aging as follows:

Baht : Thousand				
	Consolidated		Parent company	
	2006	2005	2006	2005
Undue	130,293	121,672	125,303	121,672
Overdue :				
- Not over 6 months	9,468	22,893	9,061	22,893
- Over 6 months to 12 months	63	1,223	63	1,223
- Over 12 months	22,264	22,998	22,264	22,998
Total	162,088	168,786	156,691	168,786
Less Allowance for doubtful accounts	(25,241)	(23,097)	(25,241)	(23,097)
Accounts receivable - net	136,847	145,689	131,450	145,689

During the year 2006 and 2005, the Company written off accounts receivable and allowance for doubtful accounts of Baht 0.62 million and Baht 1.07 million, respectively.

8. INVENTORIES - NET

		Baht : Thousand			
		Consolidated		Parent company	
		2006	2005	2006	2005
Inventories		2,923,796	2,386,695	2,923,796	2,386,695
Less Allowance for damaged goods		(62,413)	(65,439)	(62,413)	(65,439)
Total		2,861,383	2,321,256	2,861,383	2,321,256

Inventories as at December 31, 2006 and 2005 are included valuation of goods that will be paid after sales for the amount of Baht 286.60 million and Baht 144.58 million, respectively. The Company recorded related companies payable and such goods at the same amount.

9. INVESTMENT IN SUBSIDIARIES

Name of companies	Type of business	Thousand Baht		%		Thousand Baht	
		Paid-up of		Investments		Investments	
		share capital		(Cost method)		(Cost method)	
		2006	2005	2006	2005	2006	2005
Market Village Co., Ltd.	Space for lease	5,000	5,000	99.99	99.99	4,999	4,999

As at May 26, 2005, the Company has invested in ordinary shares of Market Village Co., Ltd.

The financial statements of such subsidiary was taken into consolidated financial statements for the period ended December 31, 2006 is the audited financial statements by the auditor.

10. PROPERTY, PLANT AND EQUIPMENT – NET

	Consolidated financial statements				Baht : Thousand
	December 31, 2005	Increase	Disposal	Transfer in (out)	December 31, 2006
Cost :					
Land and improvement on land	1,411,233	450,344	0	0	1,861,577
Building, building on lease land					
and improvement on lease land	2,928,693	895,522	(8,185)	1,160,839	4,976,869
Accessories - computer	177,144	18,949	(5,639)	29,044	219,498
Office supplies	165,717	53,350	(233)	13,016	231,850
Furniture, fixtures and equipment	757,904	200,569	(9,104)	111,471	1,060,840
Vehicles	18,843	5,801	0	0	24,644
Building under construction					
on lease land	456,483	462,767	0	(642,909)	276,341
Computer system under installation	42,826	7,055	0	(28,920)	20,961
Furniture and equipment under					
installation	398,130	246,702	0	(642,541)	2,291
Total	6,356,973	2,341,059	(23,161)	0	8,674,871
Accumulated depreciation :					
Building, building on lease land					
and improvement on lease land	345,550	219,557	(2,586)	0	562,521
Computer system	91,237	49,889	(4,282)	0	136,844
Office supplies	72,750	36,486	(169)	0	109,067
Furniture, fixtures and equipment	273,002	150,175	(4,333)	0	418,844
Vehicles	5,674	4,541	0	0	10,215
Total	788,213	460,648	(11,370)	0	1,237,491
Net book value	5,568,760				7,437,380

10. PROPERTY, PLANT AND EQUIPMENT - NET (Cont.)

	Parent's financial statements				Baht : Thousand
	December 31, 2005	Increase	Disposal	Transfer in (out)	December 31, 2006
Cost :					
Land and improvement on land	1,411,233	450,344	0	0	1,861,577
Building, building on lease land					
and improvement on lease land	2,928,693	895,522	(8,185)	1,160,839	4,976,869
Accessories - computer	177,144	18,855	(5,639)	29,044	219,404
Office supplies	165,717	42,636	(221)	13,016	221,148
Furniture, fixtures and equipment	757,673	196,915	(9,104)	111,471	1,056,955
Vehicles	18,299	5,786	0	0	24,085
Building under construction					
on lease land	456,483	462,767	0	(642,909)	276,341
Computer system under installation	42,826	7,055	0	(28,920)	20,961
Furniture and equipment under					
installation	398,130	246,702	0	(642,541)	2,291
Total	6,356,198	2,326,582	(23,149)	0	8,659,631
Accumulated depreciation :					
Building, building on lease land					
and improvement on lease land	345,550	219,557	(2,586)	0	562,521
Computer system	91,237	49,872	(4,282)	0	136,827
Office supplies	72,750	34,663	(168)	0	107,245
Furniture, fixtures and equipment	272,997	149,656	(4,333)	0	418,320
Vehicles	5,672	4,430	0	0	10,102
Total	788,206	458,178	(11,369)	0	1,235,015
Net book value	5,567,992				7,424,616

Property, plant and equipment at book value before deducting accumulated depreciation in fully amount as at December 31, 2006 and 2005 amounting to Baht 84.38 million and Baht 34.47 million, respectively are still being operated.

As at December 31, 2006 and 2005, the Company has mortgaged all land, building and leasehold (note 11) and building on lease land and part of furniture, fixtures and equipment for guarantee commitment and contingent liabilities with a bank for credit line of Baht 3,605 million and Baht 1,599 million, respectively.

11. INTANGIBLE ASSETS

Intangible assets consist of:

			Baht : Thousand	
	Consolidated		Parent company	
	2006	2005	2006	2005
Leasehold:				
Deferred leasehold	556,100	438,035	556,100	438,035
Add Increase during the year	66,319	118,065	66,319	118,065
Less Accumulated amortization	(88,556)	(66,620)	(88,556)	(66,620)
Deferred leasehold - net	533,863	489,480	533,863	489,480
Computer software :				
Computer software	105,492	94,125	105,492	94,125
Add Increase during the year	55,412	11,367	55,402	11,367
Less Accumulated amortization	(48,773)	(31,791)	(48,772)	(31,791)
Computer software - net	112,131	73,701	112,122	73,701
Total intangible assets	645,994	563,181	645,985	563,181
Amortized intangible assets				
Amortization leasehold	21,936	18,299	21,936	18,299
Amortization computer software	16,982	12,173	16,981	12,173
Total	38,918	30,472	38,917	30,472

In 2006, the Company made payment for additional leasehold amount of Baht 66.32 million. The period of the lease is 24 years.

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

The Company and subsidiary have overdrafts and short-term loans from financial institutions as follows:

	Consolidated		Parent company	
	2006	2005	2006	2005
Bank overdrafts	0	1,338	0	1,338
Loans from finance companies	0	240,000	0	240,000
Total	0	241,338	0	241,338

12.1 As at December 31, 2006 and 2005, the Company has overdrafts line with several banks for credit lines of Baht 95 million and Baht 90 million, respectively and some of credit lines are guaranteed by leasehold and construction.

12.2 As at December 31, 2005, the Company has short-term loans from 2 financial institutions of Baht 240 million by issuing promissory notes, due at call and bill of exchange amount of Baht 60 million. The Company has fully repaid both of 2 credit lines in January 2006.

13 LONG-TERM LIABILITIES UNDER HIRE PURCHASE AGREEMENT

	Consolidated		Parent company	
	2006	2005	2006	2005
Long-term liabilities under				
hire purchase agreement	33,996	36,987	33,996	36,987
Less Current portion of				
long - term liabilities	(19,201)	(19,799)	(19,201)	(19,799)
Total	14,795	17,188	14,795	17,188

14. DEBENTURES

Debentures of Home Product Center Public Company Limited consist of:

	Number of debentures (Unit)		Amount (Thousand Baht)	
	2006	2005	2006	2005
Unsecured Debentures - # 1/2548				
- # 1	500,000	500,000	500,000	500,000
- # 2	500,000	500,000	500,000	500,000
	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

According to the shareholders' extraordinary meeting no. 1/2003 held on June 27, 2003, the shareholders passed the resolution that the Company to issue and offer debentures in Baht or foreign currencies equalization in the amount not over Baht 2 thousand million by offering to the public or the individual or institute investors in one or several tranches. On March 17, 2005, the Company issued the debentures amounting to Baht 1,000 million as details following :

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 "
Amount of Baht	Baht 500 million	Baht 500 million
Period	3 (three) years from issuance date	4 (four) years from issuance date
Issuance date	March 17, 2005	March 17, 2005
Interest rate	At fixed rate of 5.00 % per annum	At fixed rate of 5.40 % per annum
Terms of interest	Pay every March, June, September and December	Pay every March, June, September and December
Principle repayment	On the redemption date March 17,2008	On the redemption date March 17,2009
Maintenance of liabilities ratio per shareholders' equity	As the prospectus or the agreed method	As the prospectus or the agreed method

15. LONG-TERM LOANS

Long - term loans of Home Product Center Public Company Limited consist of:

	Baht : Thousand	
	2006	2005
Long-term loans	2,126,000	830,000
Less Current portion of long-term debt	(429,000)	(204,000)
Long-term loans - net	1,697,000	626,000

As at December 31, 2006 and 2005, the Company has long - term loans from 2 and 1 commercial banks for 2 and 1 credit lines, respectively which consist of:

Baht : Thousand					
No. of credit	Amount of Credit line	Amount of Baht		Repayment Conditions per installment/ per month	Interest Rate
		2006	2005		
1	1,000,000	626,000	830,000	Baht 17 million	*
2	1,500,000	1,500,000	0	Baht 25 million	**
	Total	2,126,000	830,000		

The Company used real estate and leasehold right as guarantee for such credit lines (note 10, 11). The Company has to comply with the conditions in agreement such as the Company has to maintain the liabilities ratio per shareholders' equity as agreed method or must not pay dividend exceeding the rate indicated in agreement.

* : At 2.95 - 3.65% and MLR - spread at agreed rate since February 2006

** : At 6% and MLR - spread at agreed rate for the 2009 onwards

16. 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) until the reserve reaches 10% of authorized share capital.

17. 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 2006 of Baht 9.49 million (for the period 2005, for the amount of Baht 6.33 million).

18. EARNINGS PER SHARE

Consolidated 's financial statements

	For the year 2006		
	Profit (Baht)	Number of share	Baht/share
Basic earnings per share			
Net profit of common shares	608,613,205.14	1,031,859,453	0.59
Effects of diluted potential common share			
- Exercise rights		2,313,304	
Diluted earnings per share			
Profit of common shareholders assumed			
as conversion to common share	608,613,205.14	1,034,172,757	0.59
	For the year 2005		
	Profit (Baht)	Number of share	Baht/share
Basic earnings per share			
Net profit of common shares	504,794,149.07	865,027,077	0.58
Effects of diluted potential common share			
- Exercise rights		6,398,405	
Diluted earnings per share			
Profit of common shareholders assumed			
as conversion to common share	504,794,149.07	871,425,482	0.58

Parent's financial statements

	For the year 2006		
	Profit (Baht)	Number of share	Baht/share
Basic earnings per share			
Net profit of common shares	606,699,424.86	1,031,859,453	0.59
Effects of diluted potential common share			
- Exercise rights		2,313,304	
Diluted earnings per share			
Profit of common shareholders assumed			
conversion to common share	606,699,424.86	1,034,172,757	0.59
For the year 2005 (Restated)			
	Profit (Baht)	Number of share	Baht/share
Basic earnings per share			
Net profit of common shares	506,334,405.01	865,027,077	0.59
Effects of diluted potential common share			
- Exercise rights		6,398,405	
Diluted earnings per share			
Profit of common shareholders assumed			
conversion to common share	506,334,405.01	871,425,482	0.58

19. SHARES CAPITAL

19.1 According to the minutes of shareholders' general meeting for the year 2006 held on April 4, 2006, the Company has resolved as follows:

19.1.1 Approved the cancellation of the allotment of unpaid ordinary shares including the shares of the warrants not being exercised of the existing shareholders' (HMPRO-W1) of 25,406,359 shares at par value of Baht 1 (one) in accordance with the resolutions of the Shareholders' Annual General Meeting for the year 2005 to offer by way of private placement and approved the details of new shares allotment as follows :

- 1) 15,000,000 shares reserved for exercising the warrants to be allocated to employees of the Company (ESOP-W3).
- 2) 250,000 shares reserved for exercising the warrants to be allocated to employees of the Company No. 1/2005(ESOP-W2) , which will be adjusted the exercise right.

If there are remaining shares from the allocation of the shares in clause 1 and 2 as a result of the warrants not being issued or exercised, these remaining shares may be allotted at the discretion of the shareholders' meeting by the propose of the Board of Directors.

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

19.1.2 Approved the issue of 15,000,000 units of warrants to purchase common shares to employees of the Company (ESOP-W3), the exercise proportion is allocated for 3 years term at 30, 35 and 35% in year 1, 2 and 3, respectively.

19.1.3 Approved the decrease of the registered for capital 10,156,359 shares of Baht 1 each due to the cancellation of the allocation of the remaining shares that were offered by way of private placement and the Company has presently not yet offered shares to the investor(s) according to clause 3 above. Therefore, it is not necessary to reserve such shares and the registered capital will be decreased from Baht 987,500,000 to Baht 977,343,641 divided into 977,343,641 ordinary shares at par value of Baht 1 each. Thus, the Company needs to amend clause 4 of the Memorandum of Association.

19.2 According to the minutes of shareholders' extraordinary meeting no. 1/2006 held on October 31, 2006, the Company passed the 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 allocation of the increased ordinary shares as follows :

19.2.1 954,638,219 ordinary shares will be offered to the existing shareholders.

19.2.2 6,100,000 ordinary shares will be reserved for exercising the warrants to be allocated to employees of the Company no. 1/2004 (ESOP-W1).

19.2.3 65,000 ordinary shares will be reserved for exercising the warrants to be allocated to employees of the Company no. 1/2005 (ESOP-W2)

The Company has amended the memorandum of association no. 4 in order to conform to the increase of share capital.

20. WARRANTS

20.1 Warrants issuance to the existing shareholders

As the Company's allotment 15,000,000 units of warrants to purchase ordinary shares of Company to employees of the Company no. 1/2004 (ESOP-W1), as a result, the exercise price and ratio is to be 1 unit of warrant has a right to purchase 1.01521 ordinary shares at Baht 2.955 per share since September 15, 2004 onwards.

	Amount of unit	
	2006	2005
Number of warrants brought forward	0	187,500,000
The number of exercised warrants up to December 31, 2006 - cumulative	0	(187,192,132)
Balance number of warrants	0	307,868

Accordingly the exercise of warrants will be expired on July 25, 2005. Thus HMPRO-W1 will be delisted from the SET on July 26, 2005 onwards.

20.2 Warrant to the employees (including directors who is an employee)

In September 2004, the Company issued 15,000,000 units of warrant (the first) to the employees according to the resolution of the Annual General Meeting of Shareholders for the year 2004. Each unit of warrant has a right to purchase 1 ordinary share at Baht 1.00 each and exercise period is on every three months

In February 2006, the Company issued 7,000,000 units of warrant (the second) to the employees according to the resolution of the Annual General Meeting of Shareholders for the year 2005. Each unit of warrant has a right to purchase 1 ordinary share at Baht 1.00 each and exercise period is on every three months.

As the Company's allotment 7,000,000 units of warrants to purchase ordinary shares of Company to employees of the Company (ESOP-W2) No. 2 , as a result, the exercise ratio of warrants to purchase ordinary shares to employees of the Company (ESOP-W1) No. 1 is to be 1 unit of warrant has a right to purchase 1.006 ordinary shares at Baht 1 per share since February 28, 2006 onwards.

In October 2006, the Company had resolved to increase share capital which affected to the exercise of warrants allotted to the employees of the Company no.1 and no. 2 (ESOP-W1 and W2) as follows:

One unit of warrant allotted to the employees the Company no.1/2004 (ESOP-W1) has a right to purchase 1.811 ordinary shares of Baht 1 each.

One unit of warrant allotted to the employees the Company no.2/2005 (ESOP-W2) has a right to purchase 1.800 ordinary shares of Baht 1 each.

	Amount of unit	
	2006	2005
Number of warrants brought forward	22,000,000	15,000,000
The number of exercised warrants up to December 31, 2006 cumulative	(20,465,846)	(7,316,775)
Balance number of warrants	1,534,154	7,683,225

From such exercise right resulted increasing in common shares as at December 31, 2006 of Baht 25.18 million.

21. COMMITMENT AND CONTINGENT LIABILITIES

21.1 The Company has commitment on bank and 4 financial institutions of guarantee for leasing, purchased goods or hire of work and collateral against to the State Enterprise as at December 31, 2006 and 2005 of Baht 55.19 million and Baht 93.35 million, respectively.

21.2 The Company entered into 7 agreements for lease and sub-lease part of premise in Department Store with two companies for the period of 29-30 years in the amount of Baht 640.49 million. The agreements will be due in 2033 - 2035. The Company recognized this income on a straight-line basis of the useful lives of leasehold over the period of the lease.

21.3 As at December 31, 2006 and 2005, the Company has commitment from opening letter of credit with 2 and 1 commercial banks amount of USD 1.02 million and USD 0.58 million, respectively.

22. DIVIDEND PAID

According to the minutes of shareholders' annual general meeting for the year 2006 held on April 4, 2006, the Company passed the resolution to pay dividend for the year 2005 at Baht 0.20 per share amounting to Baht 190.82 million which was paid in April 2006.

According to the minutes of shareholders' annual general meeting for the year 2005 held on April 19, 2005, the Company passed the resolution to pay dividend for the year 2004 at Baht 0.18 per share amounting to Baht 144.13 million which was paid in April 2005.

23. 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 transactions are determined the policy as follows:

Type of inter - transaction	Pricing policy determination
Trading transaction between the Company and subsidiaries with related companies	Price and benefits are concluded in the normal course of business or the agreement concerned for non - market value transactions

Related companies	Relationship
Land and Houses Public Company Limited and subsidiaries	There are common shareholders and co-directors.
Quality Houses Public Company Limited and subsidiaries	There are common shareholders and co-directors.
Quality Construction Products Public Company Limited and subsidiaries	There are co-directors
Land and Houses Retail Bank Public Company Limited	There are co-shareholders.
The Siam Industrial Credit Public Company Limited	There are co-directors.

	Baht : Thousand			
	Consolidated		Parent company	
	2006	2005	2006	2005
Cash at banks – current accounts				
Land and Houses Retail Bank Plc.	151	0	151	0
Total	151	0	151	0
Accounts receivable				
Land and Houses Plc. and subsidiaries	3,452	26,962	3,452	26,962
Quality Houses Plc. and subsidiaries	5,127	11,075	5,127	11,075
Market Village Co., Ltd.	0	0	84	0
Total	8,579	38,037	8,663	38,037

Baht : Thousand

	Consolidated		Parent company	
	2006	2005	2006	2005
Other receivables				
Market Village Co., Ltd.	0	0	5,238	0
Total	0	0	5,238	0
Accrued income				
Land and Houses Retail Bank Plc.	418	0	418	0
Total	418	0	418	0
Accounts payable				
Quality Construction Products Plc.				
and subsidiaries	530	823	530	823
Total	530	823	530	823
Short-term loan from related party				
Market Village Co., Ltd.	0	0	40,000	0
Total	0	0	40,000	0
Sales of goods				
Land and Houses Plc. and subsidiaries	44,857	298,676	44,857	298,676
Quality Houses Plc. and subsidiaries	10,597	103,528	10,597	103,528
Market Village Co., Ltd.	0	0	606	0
Total	55,454	402,204	56,060	402,204
Other income				
Market Village Co., Ltd.	0	0	79,876	0
Total	0	0	79,876	0

		Baht : Thousand			
		Consolidated		Parent company	
		2006	2005	2006	2005
Interest income					
Land and Houses Retail Bank Plc.		3,224	0	3,224	0
The Siam Industrial Credit Plc.		245	0	245	0
Total		3,469	0	3,469	0
Purchase of goods					
Quality Construction Products Plc.					
and subsidiaries		5,473	5,808	5,473	5,808
Total		5,473	5,808	5,473	5,808
Selling and administrative expenses					
Market Village Co., Ltd.		0	0	4,360	0
Total		0	0	4,360	0
Interest expenses					
The Siam Industrial Credit Plc.		897	0	897	0
Market Village Co., Ltd.		0	0	1,110	0
Total		897	0	2,007	0

Movement deposit at financial institution and loan from related party can be summarized as follows:

		Baht : Thousand			
		Consolidated			
		2005	Increase	Decrease	2006
Deposit with financial institutions-					
promissory notes					
Land and Houses Retail Bank Plc.		0	4,443,000	3,918,000	525,0000
The Siam Industrial Credit Plc.		0	375,000	375,000	0
Total		0	4,818,000	4,293,000	525,0000

Baht : Thousand

	Parent Company			2006
	2005	Increase	Decrease	
Deposit with financial institutions- promissory notes				
Land and Houses Retail Bank Plc.	0	4,443,000	3,918,000	525,0000
The Siam Industrial Credit Plc.	0	375,000	375,000	0
Total	0	4,818,000	4,293,000	525,0000
Short-term loan from related party				
Market Village Co., Ltd.	0	100,000	60,000	40,000
Total	0	100,000	60,000	40,000

24. LITIGATION

As at December 31, 2006 and 2005, the Company and subsidiaries have no material litigation.

25. FINANCIAL INFORMATION BY SEGMENT

The operations of the Company and subsidiaries are carried on only in Thailand and it operates in 2 business segment i.e. trading of construction materials, construction equipment and tools, decoration equipment and instruments and space for lease. The amounts of assets and revenues of the space for lease business is not material, less than 10 percent of total assets and revenues. As a result, information regarding the revenues, operating profits and assets as reflected in these financial statements were not presented by business information segment.

26. DISCLOSURE AND PRESENTATION OF FINANCIAL INSTRUMENTS

26.1 Accounting Policy

The significant accounting policies and method adopted the basis of recognition and measurement relating to each class of financial assets and financial liabilities has been disclosed in note 4.

26.2 Credit risk

Credit risk derives from failure by counterparties to discharge their obligations resulting in financial loss to the Company. Financial assets shown in balance sheets at the book value deducted by allowance for doubtful accounts is maximum value of credit risk.

For off-balance sheets, the Company and its subsidiaries expects that the account of credit risk is immaterial.

26.3 Interest rate risk

The Company may retain an exposure to interest rate risk relates to its loans from banks which indicated floating interest rate from February 2006 thereafter. So that the changes in interest rate will effect to the Company.

26.4 Fair value of financial instruments

Financial assets shown in balance sheets consist of cash on hand, cash at banks, accounts receivable, other receivables and deposit for lease. Financial liabilities shown in balance sheets consist of bank overdrafts, short-term loans from financial institutions, accounts payable and other payables, carrying value equal to the estimated fair value since the most of financial assets and liabilities in balance sheets are classified in short-term. However, long-term loans of Baht 2,500 million and debentures of Baht 1,000 million were presented in balance sheet for the amount of Baht 2,126 million and Baht 1,000 million, respectively (at the interest rate as stated in note 14 and 15) , had fair value approximately of Baht 2,090 million and Baht 958.63 million, respectively. Fair value are estimated by using present value of cash flow at the rate of 7.75 % per annum (interest rate is the average rate of credit providing of 5 commercial banks).

26.5 Exchange rate risk

As at December 2006 and 2005, the Company and its subsidiaries have not a risk on foreign exchange rate.

The management believes that there is no material risk financial instrument.

27. COMMITMENT UNDER LONG-TERM LEASE AGREEMENT

27.1 The Company entered into seven lease agreement of land as follows :

Items	Agreement date	Periods	Maturing date	Rental fee
1	July 26, 1996	26 years	July 31, 2022	<ul style="list-style-type: none"> - First agreement ; pay monthly of Baht 1.02 million for the 1st year and pay additional at the rate of 4% per annum - Second agreement ; pay monthly of Baht 4.84 million for the 1st year and pay additional at the rate of 10% of every 3 years
2	January 1, 1996	29 years 1 month	July 31, 2025	<ul style="list-style-type: none"> - Pay the remuneration of sub-lease land of Baht 25.64 million and commitment of pay central utilities all of period of sub-lease agreement of Baht 51.58 million
3	July 13, 2002	26 years	Sept. 26, 2028	<ul style="list-style-type: none"> - Grace for payment in the 1st year - Pay monthly of Baht 0.06 million for the 2nd year and pay additional at the rate of 10% of every 3 years
4	October 9, 1996	30 years	Oct. 14, 2026	<ul style="list-style-type: none"> - Pay monthly of Baht 0.11 million for the 1st year and pay additional every 5 years as follows - 6th-10th year, pay additional at the rate of 33% of 5th year - 11th-15th year, pay additional at the rate of 33% of 6th year - 16th-20th year, pay additional at the rate of 25% of 11th year - 21st-25th year, pay additional at the rate of 30% of 16th year - 26th-30th year, pay additional at the rate of 27% of 21st year
	March 20, 2004	8 years	Oct. 14, 2034	<ul style="list-style-type: none"> Extend agreement for 8 years, commencing on October 15, 2026 - 1st-3rd year, pay yearly of Baht 13.55 million - 4th-6th year, pay yearly of Baht 14.81 million - 7th-8th year, pay yearly of Baht 16.19 million
5	November 6, 2002	30 years	Dec. 31, 2033	<ul style="list-style-type: none"> - 1st-5th year, pay monthly of Baht 0.11 million - 6th-10th year, pay monthly of Baht 0.15 million - 11th-15th year, pay monthly of Baht 0.20 million - 16th-20th year, pay monthly of Baht 0.25 million - 21st-25th year, pay monthly of Baht 0.32 million - 26th-30th year, pay monthly of Baht 0.41 million

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

27.2 The Company entered into fourteen lease agreement of department space as follows :

Items	Agreement date	Periods	Maturing date	Rental fee
1	May 1, 1999	24 years	Apr. 30, 2023	<ul style="list-style-type: none"> - Pay monthly of Baht 0.15 million - Pay additional at the rate of 10% of every 3 years
2	December 28, 1999	17 years	Dec. 31, 2016	<ul style="list-style-type: none"> - Pay monthly of Baht 0.16 million - Pay additional at the rate of 15% of every 3 years
3	January 1, 2000	23 years 6 months	Jun. 30, 2023	<ul style="list-style-type: none"> - Pay additional every 3 years at the rate as follows : - 1st-3rd year, pay monthly of Baht 0.47 - 0.62 million - Pay additional at the rate of 10% of every 3 years
4	January 13, 2000	22 years	Jun. 30, 2022	<ul style="list-style-type: none"> - Pay additional every 3 years at the rate as follows : - 1st-15th year, pay monthly of Baht 0.26 - 0.45 million - 16th-18th year, pay additional at the rate of 50% of 15th year - 19th-21st year, pay additional at the rate of 15% of 18th year - 22nd year, pay additional at the rate of 15% of 21st year

Items	Agreement date	Periods	Maturing date	Rental fee
5	May 1, 2001	24 years	Apr. 30, 2025	<ul style="list-style-type: none"> - 1st-15th year, pay monthly of Baht 0.17 - 0.30 million - 16th-18th year, pay additional not over 50% - 19th-21st year, pay additional at the rate of 15% of 16th-18th year - 22th-24th year, pay additional at the rate of 15% of 19th-21th year
6	February 23, 2001	19 years 3 months	May 22, 2020	<ul style="list-style-type: none"> - 1st-3th year, pay monthly of Baht 0.58 million - 4th-12th year, pay additional at the rate of 12% every 3 years - 13th-18th year, pay additional at the rate of 7% every 3 years - 19th year, pay monthly of Baht 1.06 million
7	October 27,2001	20 years	October 26,2021	- Pay monthly of Baht 0.32 million, change on rental at the rate of 12% every years
8	May 28, 2002	24 years	Jan. 14, 2026	- Pay monthly of Baht 0.32 million
9	July 22, 2002	24 years	Jul. 21, 2026	- Pay monthly of Baht 0.24 million
10	August 15, 2003	28 years	Aug. 14, 2031	- Pay monthly of Baht 0.50 million, change on rental at the rate of 12% every 3 years
11	October 3, 2003	24 years	Oct. 2, 2027	<ul style="list-style-type: none"> - 1st-2nd year, pay monthly of Baht 0.12 million - Since 3rd-24th year, change in the minimum rate to monthly of Baht 0.24 million
12	October 7, 2004	25 years	Oct. 6, 2029	<ul style="list-style-type: none"> - 1st year, pay monthly of Baht 0.32 million - 2nd year, pay monthly of Baht 0.40 million - 3rd year, pay monthly of Baht 0.48 million - 4th-25th year, pay monthly of Baht 0.52 million
13	April 1, 2006	24 years	March 31, 2030	<ul style="list-style-type: none"> - Pay monthly of Baht 0.20 million - Pay additional at the rate of 10% of every 3 years
14	December 23 , 2006	25 years	December 22, 2031	<ul style="list-style-type: none"> - Pay monthly of Baht 0.42 million - Pay additional at the rate of 10% of every 3 years

28. STAFF INFORMATION

	Consolidated and Parent company	
	2006	2005
The number of staff at the end of year (persons)	3,797	3,012
Staff expense (Million Baht)	875.84	695.71

29. FINANCIAL STATEMENTS APPROVAL

These financial statements have been approved to be issued by the Company's Board of Directors on February 22, 2007.