

**HOME PRODUCT CENTER PUBLIC COMPANY LIMITED**  
**AUDITOR'S REPORT AND FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2002 (UNAUDITED/REVIEWED ONLY)**  
**AND AS AT DECEMBER 31, 2001 (AUDITED)**

## **AUDITOR'S REPORT**

To the shareholders of

HOME PRODUCT CENTER PUBLIC COMPANY LIMITED

I have reviewed the balance sheets of HOME PRODUCT CENTER PUBLIC COMPANY LIMITED as at March 31, 2002, the related statements of income, statements of changes in shareholders' equity and statements of cash flows for three months ended March 31, 2002 and 2001. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to issue a report on these financial statements based on my review.

I conducted my review in accordance with auditing standards applicable to review engagements. Those standards require that I plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. Accordingly, I do not express an opinion on these financial statements.

Based on my review, nothing has come to my attention that causes me to believe that the financial statements are not presented fairly, in all material respects in accordance with generally accepted accounting principles.

I have audited the financial statements of HOME PRODUCT CENTER PUBLIC COMPANY LIMITED as at December 31, 2001 in accordance with generally accepted auditing standards and I expressed an unqualified opinion in my report dated February 15, 2002. The balance sheets as at December 31, 2001, presented for comparison purpose, is a partial of the audited and reported financial statements. I have not performed any auditing procedures since that date.

Office of D I A International Auditing

(Mrs. Suvimol Krittayakiern)

C.P.A. (Thailand)

Registration No. 2982

May 7, 2002

**HOME PRODUCT CENTER PUBLIC COMPANY LIMITED**

**BALANCE SHEETS**

**AS AT MARCH 31, 2002 (UNAUDITED/REVIEWED ONLY)**

**AND AS AT DECEMBER 31, 2001 (AUDITED)**

<b>Assets</b>		March 31, 2002	Baht December 31, 2001
<b>Current assets</b>			
Cash on hand and at bank	(note 3)	116,207,391.45	266,883,687.47
Accounts and notes receivable - net	(note 4)	78,582,485.13	81,334,218.47
Inventories	(note 5)	851,661,708.94	819,950,437.65
Receivable - Revenue Department		24,406,516.87	27,419,339.82
Other current assets		48,851,872.22	34,851,416.90
		<hr/>	<hr/>
<b>Total current assets</b>		1,119,709,974.61	1,230,439,100.31
Property, plant and equipment - net	(note 6)	912,992,854.46	886,431,627.86
Deferred leasehold	(note 7)	141,261,560.32	141,722,527.66
<b>Other assets</b>			
Real estate foreclosed		2,674,122.40	2,674,122.40
Rentention for lease		17,892,426.20	17,892,426.20
Other assets		8,213,403.39	7,749,994.01
		<hr/>	<hr/>
<b>Total assets</b>		<u><u>2,202,744,341.38</u></u>	<u><u>2,286,909,798.44</u></u>

Notes to financial statements are parts of these financial statements.

**HOME PRODUCT CENTER PUBLIC COMPANY LIMITED**

**BALANCE SHEETS (Cont.)**

**AS AT MARCH 31, 2002 (UNAUDITED/REVIEWED ONLY)**

**AND AS AT DECEMBER 31, 2001 (AUDITED)**

<b>Liabilities and shareholders' equity</b>	<b>March 31, 2002</b>	<b>Baht December 31, 2001</b>
<b>Current liabilities</b>		
Bank overdrafts and loans from banks (note 8)	11,051,681.53	5,000,000.00
Accounts and notes payable	981,640,442.02	959,171,863.90
Current portion of long-term debt (note 9 and 10)	123,967,394.95	120,277,243.65
Assets payable	36,468,000.52	18,538,466.53
Deposits from sales of goods	91,551,930.82	82,943,456.72
Other payables	35,962,950.18	37,559,101.91
Other current liabilities	26,915,351.63	33,272,850.17
Total current liabilities	1,307,557,751.65	1,256,762,982.88
Long-term loans (note 9)	197,424,219.04	349,588,543.80
Decoration payable (note 10)	13,138,582.90	15,587,038.00
Other liabilities	3,877,425.21	4,074,328.74
Total liabilities	1,521,997,978.80	1,626,012,893.42
<b>Shareholders' equity</b>		
Share capital		
Authorized share capital		
375,000,000 common shares of Baht 1 each	375,000,000.00	375,000,000.00
Issued and paid-up share capital		
375,000,000 common shares of Baht 1 each	375,000,000.00	375,000,000.00
Premium on share capital	184,121,460.61	184,121,460.61
Retained earnings		
Appropriated		
Legal reserve	2,000,000.00	2,000,000.00
Unappropriated	119,624,901.97	99,775,444.41
Total shareholders' equity	680,746,362.58	660,896,905.02
<b>Total liabilities and shareholders' equity</b>	<b>2,202,744,341.38</b>	<b>2,286,909,798.44</b>

Notes to financial statements are parts of these financial statements.

**HOME PRODUCT CENTER PUBLIC COMPANY LIMITED**

**STATEMENTS OF INCOME**

**FOR THREE MONTHS ENDED MARCH 31, 2002 AND 2001**

**(UNAUDITED/REVIEWED ONLY)**

	2002	Baht	2001
<b>Revenues</b>			
Sales	922,698,656.05		665,551,026.57
Other income	8,770,689.12		6,838,219.56
Gain from exchange rate	1,394,618.00		7,425,822.43
Total revenues	<u>932,863,963.17</u>		<u>679,815,068.56</u>
<b>Expenses</b>			
Cost of sales	733,411,671.45		520,783,285.07
Selling and administrative expenses	172,028,184.51		114,035,903.38
Total expenses	<u>905,439,855.96</u>		<u>634,819,188.45</u>
Profit before interest expenses	27,424,107.21		44,995,880.11
Interest expenses	(7,574,649.65)		(7,636,725.34)
Net profit	<u>19,849,457.56</u>		<u>37,359,154.77</u>
<b>Basic earnings per share</b>			
Net profit	0.05		0.83

Notes to financial statements are parts of these financial statements.

**HOME PRODUCT CENTER PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THREE MONTHS ENDED MARCH 31, 2002 AND 2001**  
**(UNAUDITED/REVIEWED ONLY)**

	2002	Baht	2001
<b>Common shares</b>			
Beginning of the period	375,000,000.00		200,000,000.00
Increase during the period	0.00		75,000,000.00
Decrease during the period	0.00		0.00
End of the period	<u>375,000,000.00</u>		<u>275,000,000.00</u>
<b>Premium on share capital</b>			
Beginning of the period	184,121,460.61		0.00
Increase during the period	0.00		0.00
Decrease during the period	0.00		0.00
End of the period	<u>184,121,460.61</u>		<u>0.00</u>
<b>Retained earnings (Deficit)</b>			
Appropriated			
Legal reserve			
Beginning of the period	2,000,000.00		0.00
Increase during the period	0.00		0.00
Decrease during the period	0.00		0.00
End of the period	<u>2,000,000.00</u>		<u>0.00</u>
Unappropriated			
Beginning of the period	99,775,444.41		40,649,192.70
Increase during the period - net profit	19,849,457.56		37,359,154.77
Decrease during the period	0.00		0.00
End of the period	<u>119,624,901.97</u>		<u>78,008,347.47</u>
<b>Total shareholders' equity</b>	<u><u>680,746,362.58</u></u>		<u><u>353,008,347.47</u></u>

Notes to financial statements are parts of these financial statements.

**HOME PRODUCT CENTER PUBLIC COMPANY LIMITED**

**STATEMENTS OF CASH FLOWS**

**FOR THREE MONTHS ENDED MARCH 31, 2002 AND 2001**

**(UNAUDITED/REVIEWED ONLY)**

	2002	Baht	2001
<b>Cash flows from operating activities</b>			
Net profit	19,849,457.56		37,359,154.77
Adjustment net profit (loss) to cash receipt (disbursement)			
Depreciation	17,211,752.11		12,052,921.37
Amortization of leasehold	1,655,967.34		1,189,065.12
Increase (Decrease) in allowance for			
damaged goods	2,393,297.65		753,049.21
(Gain) Loss from exchange rate	(1,266,217.22)		(7,393,611.18)
(Increase) Decrease in accounts and notes			
receivable	2,751,733.34		(3,829,283.15)
(Increase) Decrease in inventories	(34,104,568.94)		(29,817,939.48)
(Increase) Decrease in other current assets	(14,000,455.32)		(3,787,268.72)
(Increase) Decrease in receivable - Revenue			
Department	3,012,822.95		578,758.69
(Increase) Decrease in other assets	(463,409.38)		(1,813,048.61)
Increase (Decrease) in accounts and notes			
payable	22,468,578.12		37,294,727.39
Increase (Decrease) in other payables	(1,596,151.73)		(3,438,503.27)
Increase (Decrease) in accrued interest			
expenses	(922,792.48)		(175,353.33)
Increase (Decrease) in deposit from			
sales of goods	8,608,474.10		(2,599,183.26)
Increase (Decrease) in other liabilities	(196,903.53)		993,993.12
Increase (Decrease) in other current			
liabilities	(5,434,706.06)		(4,815,777.72)
<b>Net cash provided by (used in) operating activities</b>	<u>19,966,878.51</u>		<u>32,551,700.95</u>

**HOME PRODUCT CENTER PUBLIC COMPANY LIMITED**

**STATEMENTS OF CASH FLOWS (Cont.)**

**FOR THREE MONTHS ENDED MARCH 31, 2002 AND 2001**

**(UNAUDITED/REVIEWED ONLY)**

	2002	Baht	2001
<b>Cash flows from investing activities</b>			
Investments in securities	0.00		(5,000,000.00)
Paid for leasehold	(1,195,000.00)		0.00
Paid for assets payable	(18,538,466.53)		(11,967,309.67)
Purchase of fixed assets	(7,304,978.19)		(22,956,477.68)
<b>Net cash provided by (used in) investing activities</b>	<b>(27,038,444.72)</b>		<b>(39,923,787.35)</b>
<b>Cash flows from financing activities</b>			
Received (Paid) for bank overdrafts			
and loans from banks	6,051,681.53		7,291,816.56
Received from long-term loans	28,500,000.00		0.00
Paid for long-term loans	(167,205,968.24)		(15,636,683.61)
Paid for loans of financial lease agreement	(10,950,443.10)		(2,125,497.00)
Received from increase share capital	0.00		72,400,000.00
<b>Net cash provided by (used in) financing activities</b>	<b>(143,604,729.81)</b>		<b>61,929,635.95</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(150,676,296.02)</b>		<b>54,557,549.55</b>
<b>Cash and cash equivalents at the beginning of</b>			
<b>    the period</b>	<b>266,883,687.47</b>		<b>186,320,318.09</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>116,207,391.45</b>		<b>240,877,867.64</b>



**HOME PRODUCT CENTER PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS (Cont.)**  
**FOR THREE MONTHS ENDED MARCH 31, 2002 AND 2001**  
**(UNAUDITED/REVIEWED ONLY)**

**Additional disclosure of cash flows information**

1. Cash paid during the period

	2002	Baht	2001
Interest expenses	8,507,084.43		7,812,078.67
Income tax	1,291,529.42		1,036,164.05

2. Non-cash transaction

Part of assets of Baht 36.47 million which purchased in 2002, were not been made payment, therefore, the Company recorded such amount in assets payable account.

**HOME PRODUCT CENTER PUBLIC COMPANY LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT MARCH 31, 2002 (UNAUDITED/REVIEWED ONLY)**

**AND AS AT DECEMBER 31, 2001 (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 Reporting" 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 retained earnings, 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, 2001.

**3. CASH ON HAND AND AT BANK**

	March 31, 2002	Baht December 31, 2001
Cash on hand	19,289,057.27	16,455,127.35
Current accounts	5,636,235.09	20,770,532.44
Savings deposit	91,280,284.15	229,656,215.00
Fixed deposit	1,814.94	1,812.68
Total	<u>116,207,391.45</u>	<u>266,883,687.47</u>

#### 4. ACCOUNTS AND NOTES RECEIVABLE - NET

	March 31, 2002	Baht December 31, 2001
Accounts receivable	71,315,557.97	82,962,230.06
Cheque return receivable	46,369,742.09	47,806,424.68
Credit card and coupon receivable	21,528,062.07	13,640,263.23
Total	139,213,362.13	144,408,917.97
Less Allowance for doubtful accounts	(60,630,877.00)	(63,074,699.50)
Accounts and notes receivable - net	78,582,485.13	81,334,218.47

The Company's trade accounts and notes receivable are long outstanding for over 12 months as at March 31, 2002 and December 31, 2001, for amount of Baht 61.05 million and Baht 63.78 million, respectively.

#### 5. INVENTORIES

	March 31, 2002	Baht December 31, 2001
Inventories	868,823,590.21	834,719,021.27
Less Allowance for damaged goods	(17,161,881.27)	(14,768,583.62)
Total	851,661,708.94	819,950,437.65

**6. PROPERTY, PLANT AND EQUIPMENT - NET**

	December 31, 2001	Increase	Transfer in (out)	March 31, 2002
Cost :				
Building and improvement				
on lease land	683,976,350.33	2,829,308.00	144,000.00	686,949,658.33
Computer system	98,632,710.94	3,650,255.51	107,550.00	102,390,516.45
Office supplies	46,205,944.60	1,646,848.33	0.00	47,852,792.93
Furniture, fixtures and equipment	203,632,275.25	2,858,997.55	0.00	206,491,272.80
Vehicles	2,630,347.09	0.00	0.00	2,630,347.09
Building under construction				
on lease land	46,027,586.58	30,190,706.95	(144,000.00)	76,074,293.53
Computer system under installation	1,491,987.19	1,937,082.41	(107,550.00)	3,321,519.60
Furniture and equipment under installation	308,454.11	659,779.96	0.00	968,234.07
Total	1,082,905,656.09	43,772,978.71	0.00	1,126,678,634.80
Accumulated depreciation :				
Building and improvement				
on lease land	98,110,383.21	7,067,819.80	0.00	105,178,203.01
Computer system	24,664,752.59	2,838,222.58	0.00	27,502,975.17
Office supplies	22,158,167.27	1,929,939.05	0.00	24,088,106.32
Furniture and equipment under installation	50,817,237.60	5,247,078.41	0.00	56,064,316.01
Vehicles	723,487.56	128,692.27	0.00	852,179.83
Total	196,474,028.23	17,211,752.11	0.00	213,685,780.34
Net book value	886,431,627.86			912,992,854.46
Depreciation :	For three months ended March 31, 2002 amounting to Baht			17,211,752.11
	For three months ended March 31, 2001 amounting to Baht			12,052,921.37

As at March 31, 2002, 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 a bank for credit line of Baht 355 million.

## 7. DEFERRED LEASEHOLD

	March 31, 2002	Baht December 31, 2001
Deferred leasehold	160,896,208.56	126,794,287.56
Add Increase during the year	1,195,000.00	34,101,921.00
Less Accumulated amortization	(20,829,648.24)	(19,173,680.90)
Deferred leasehold - net	<u>141,261,560.32</u>	<u>141,722,527.66</u>
Amortization of leasehold :		
For three months ended March 31, 2002 amounting to Baht		1,655,967.34
For three months ended March 31, 2001 amounting to Baht		1,189,065.12

Deferred leasehold are leasehold land and building which amortized on a period of the lease agreement. As at February 1, 2002, the Company made payment for additional leasehold amount of Baht 1.19 million for the period of the lease is 20 years.

## 8. BANK OVERDRAFTS AND LOANS FROM BANKS

	March 31, 2002	Baht December 31, 2001
Bank overdrafts	11,051,681.53	0.00
Loans from bank - promissory notes	0.00	5,000,000.00
Total	<u>11,051,681.53</u>	<u>5,000,000.00</u>

The Company has overdrafts line with 2 banks for credit lines of Baht 25 million and Baht 5 million, respectively. Credit line of Baht 25 million are guaranteed by building and leasehold.

As at February 27, 2002, the Company made repayment for loans from bank of Baht 5 million.

## 9. LONG-TERM LOANS

	March 31, 2002	Baht	December 31, 2001
Loans in Thai Baht	312,889,625.99		305,457,548.03
Loans in foreign currencies	0.00		155,906,251.42
Total	312,889,625.99		461,363,799.45
Less Current portion of long-term debt	(115,465,406.95)		(111,775,255.65)
Long-term loans - net	197,424,219.04		349,588,543.80

9.1 Loans in Thai Baht is loans from banks at the interest rate of MLR to MLR+0.25% consist of :

No. of credit line	Amount of credit line	Amount of Baht		Repayment conditions per installment/per months
		March 31, 2002 Baht	December 31, 2001	
1	Baht 200 million	137,817,548.04	146,517,548.03	- 7/2000 - 12/2001 = Baht 1.6 million - 1/2002 - 3/2004 = Baht 2.9 million
2	Baht 83.50 million	47,800,000.00	54,940,000.00	Baht 2.38 million
3	Baht 30 million	26,500,000.00	28,000,000.00	Baht 0.50 million
4	Baht 36 million	35,250,000.00	36,000,000.00	Baht 0.75 million
5	Baht 40 million	39,397,077.95	40,000,000.00	Baht 0.83 million
6	Baht 142.50 million	26,125,000.00	0.00	Baht 2.38 million
	Total	312,889,625.99	305,457,548.03	

As at February 27, 2002, the Company made loans agreement with bank for credit lines of Baht 142.50 million for making repayment of long-term loans denominated in foreign currency (note 9.2) which are matured within 5 years by dividing into 2 portions as follows :

9.1.1 The 1st portion of long-term loans of Baht 28.50 million will be made by installment of Baht 2.38 million each, commencing in March 2002 and maturing in February 2003.

9.1.2 The remaining of Baht 114 million, the Company issued promissory notes with redeemable and is able to borrow under Revolving Line. Such credit line will be transferred to the first portion (9.1.1) at Baht 28.50 million per year. As at March 31, 2002, the Company made loans repayment - promissory notes of Baht 114 million in full.

## 9.2 Loans in foreign currencies

	March 31, 2002	Baht	December 31, 2001
Loans - under forward exchange contract	0.00		146,380,908.87
Add (Less) Bank creditors	0.00		153,862,948.01
Bank debtors	0.00		(144,242,628.33)
Discount on deferred management risk	0.00		(94,977.13)
Total	0.00		155,906,251.42

As at December 31, 2001, the Company has loans in foreign currencies from a local company of Yen 431.71 million in worth Baht 146.38 million. Such loans have been made forward exchange contract in full for a period of 3 months for hedging exchange rate risk. On February 27, 2002, the Company made such loans repayment in full by borrowing from a bank for credit lines of Baht 142.50 million (note 9.1).

## 10. DECORATION PAYABLE

	March 31, 2002	Baht	December 31, 2001
Decoration payable	21,640,570.90		24,089,026.00
Less Current portion of long-term debt	(8,501,988.00)		(8,501,988.00)
Total	13,138,582.90		15,587,038.00

The Company entered into agreement to hire a company improve and decorate the building space for the amount of Baht 26.25 million and hire purchase of furniture and decoration equipment for the amount of Baht 16.26 million. The both agreements will be made through 60 installments of Baht 437,511.00 and Baht 270,948.00 each, respectively, commencing on November 10, 1999 and maturing on November 10, 2004.

## 11. SUBSEQUENT EVENTS

According to the minutes of shareholders' general meeting for the year 2002 held on April 26, 2002, the Company passed the resolution as follows :

11.1 To increase the Company's share capital by another Baht 612,500,000.00 from Baht 375,000,000.00 to be Baht 987,500,000.00 (divided into 987,500,000 common shares of Baht 1.00 each) by issuing 612,500,000 new common shares of Baht 1.00 each. The allocation of new increased shares will be made as follows :

- (1) 375,000,000 new common shares will be allotted to the existing shareholders at the subscription ratio of 1 existing share to 1 new common share at the offering price of Baht 1.00 each. From these selling required to allocate any unsubscribed shares from the rights offering to the shareholders who subscribe for excess rights shares on the pro rata basis (by reference to the total number of excess rights shares and the total number of shares subscribed under the excess entitlements).

Any unsubscribed shares remaining from the subscription by the shareholders as mentioned above may be offered in one or several tranches from time to time at the same offering price to the private placement in accordance with the Notification of the Securities and Exchange Commission No. Kor Jor. 12/2543.

- (2) 187,500,000 new common shares will be reserved for the exercise of warrants to purchase common shares. If there are any remaining shares as a result of the warrants not being issued or exercised, these remaining shares may be allotted at the discretion of the Board of Directors in one or several tranches from time to time to the private placement as requirement of Notification of the Securities and Exchange Commission No. Kor Jor. 12/2543.

- (3) 50,000,000 new common shares at the offering price of not less than 80 per cent of the market price of shares of the Company. The market price would be calculated from the weighted average prices or the average closing price of share during 10 trading days before the date on which the resolution of the Board of Directors was approved to offer those shares, whether any price is higher to the private placement in accordance with the Notification of the Securities and Exchange Commission No. Kor Jor. 12/2543.

11.2 To issue 187,500,000 units of warrants were allotted to the existing shareholders who have subscribed for new common shares under the rights issue, excess entitlement at the ratio of 2 new shares to 1 unit of warrant with 3 years term without offering price. One unit of warrant has exercise right to purchase one common share of Baht 3.00 each with exercise period every three months. These warrants have been listed on the Stock Exchange of Thailand.



## 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. COMMITMENT AND CONTINGENT LIABILITIES

The Company has commitment on bank and financial institutions of guarantee for rental, purchased goods or hire of work and collateral against to the government agencies as at March 31, 2002 and December 31, 2001 of Baht 46.89 million and Baht 41.89 million, respectively.

## 14. 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 value and benefits in the normal course of business based on the market value or the group of company concerned for non-market value.

	March 31, 2002	Baht December 31, 2001
Accounts receivable		
Land and Houses Plc.	30,786,523.49	37,994,231.92
Quality Houses Plc.	12,331,523.03	11,718,179.50
Total	<u>43,118,046.52</u>	<u>49,712,411.42</u>
Sales of goods		
Land and Houses Plc.	41,806,535.62	180,897,331.32
Quality Houses Plc.	23,344,796.97	63,616,732.31
Total	<u>65,151,332.59</u>	<u>244,514,063.63</u>

## 15. DIRECTORS' REMUNERATION

Directors' remuneration is all benefits paid to the Company's directors for the period of three months ended March 31, 2002 of Baht 600,000.00 (for the period of three months ended March 31, 2001, the Company has not paid the remuneration to the directors and in 2001, the amount was Baht 1,200,000.00).