

**HOME PRODUCT CENTER PUBLIC COMPANY LIMITED**  
**AUDITOR'S REPORT AND FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2004 (UNAUDITED/REVIEWED ONLY)**  
**AND AS AT DECEMBER 31, 2003 (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, 2004, the related statements of income, statements of changes in shareholders' equity and statements of cash flows for three months ended March 31, 2004 and 2003. 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, 2003 in accordance with generally accepted auditing standards and I expressed an unqualified opinion in my report dated February 10, 2004. The balance sheets as at December 31, 2003, 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

April 30, 2004

**HOME PRODUCT CENTER PUBLIC COMPANY LIMITED**

**BALANCE SHEETS**

**AS AT MARCH 31, 2004 (UNAUDITED/REVIEWED ONLY)**

**AND AS AT DECEMBER 31, 2003 (AUDITED)**

<b>Assets</b>	Note	March 31, 2004	Baht December 31, 2003
<b>Current assets</b>			
Cash and cash equivalents	3	68,114,413.20	36,291,871.62
Accounts receivable - net	4	139,618,372.84	121,235,696.40
Inventories	5	1,778,973,771.44	1,702,343,067.98
Receivable - Revenue Department		43,054,469.80	51,025,422.80
Other current assets		112,585,042.61	119,413,481.05
<b>Total current assets</b>		<u>2,142,346,069.89</u>	<u>2,030,309,539.85</u>
<b>Non-current assets</b>			
Fixed deposit	6	2,654,626.12	14,651,345.07
Property, plant and equipment - net	7	2,077,476,179.25	2,032,773,477.50
Deferred leasehold	8	298,495,559.96	301,706,134.46
Real estate foreclosed		4,174,122.40	4,174,122.40
Rentention for lease		25,824,626.20	25,824,626.20
Other non-current assets		4,676,845.48	5,427,200.48
<b>Total non-current assets</b>		<u>2,413,301,959.41</u>	<u>2,384,556,906.11</u>
<b>Total assets</b>		<u><u>4,555,648,029.30</u></u>	<u><u>4,414,866,445.96</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, 2004 (UNAUDITED/REVIEWED ONLY)**

**AND AS AT DECEMBER 31, 2003 (AUDITED)**

<b>Liabilities and shareholders' equity</b>	Note	March 31, 2004	Baht December 31, 2003
<b>Current liabilities</b>			
Bank overdrafts and short-term loans			
from financial institutions	9	477,156,044.65	527,110,595.17
Accounts payable		2,111,422,694.78	1,996,511,486.66
Current portion of long-term debt	10, 11	81,251,167.99	54,034,985.99
Assets payable		57,657,648.98	57,983,621.77
Deposits for goods		163,335,098.54	132,960,603.90
Other payables		53,366,444.08	64,600,083.48
Other current liabilities		167,465,451.35	192,293,235.03
Total current liabilities		<u>3,111,654,550.37</u>	<u>3,025,494,612.00</u>
<b>Non-current liabilities</b>			
Long-term loans	10	0.00	21,416,678.00
Other non-current liabilities		48,601,951.43	52,144,325.96
Total non-current liabilities		<u>48,601,951.43</u>	<u>73,561,003.96</u>
Total liabilities		<u>3,160,256,501.80</u>	<u>3,099,055,615.96</u>

**HOME PRODUCT CENTER PUBLIC COMPANY LIMITED**

**BALANCE SHEETS (Cont.)**

**AS AT MARCH 31, 2004 (UNAUDITED/REVIEWED ONLY)**

**AND AS AT DECEMBER 31, 2003 (AUDITED)**

<b>Liabilities and shareholders' equity (Cont.)</b>	Note	March 31, 2004	Baht December 31, 2003
<b>Shareholders' equity</b>			
Share capital			
Authorized share capital			
987,500,000 common shares of Baht 1 each		987,500,000.00	987,500,000.00
		<u>987,500,000.00</u>	<u>987,500,000.00</u>
Issued and paid-up share capital			
753,000,000 common shares of Baht 1 each		753,000,000.00	753,000,000.00
Premium on share capital		190,121,460.61	190,121,460.61
Retained earnings			
Appropriated			
Legal reserve	12	24,000,000.00	20,000,000.00
Unappropriated		428,270,066.89	352,689,369.39
		<u>428,270,066.89</u>	<u>352,689,369.39</u>
Total shareholders' equity		1,395,391,527.50	1,315,810,830.00
		<u>1,395,391,527.50</u>	<u>1,315,810,830.00</u>
<b>Total liabilities and shareholders' equity</b>		<u>4,555,648,029.30</u>	<u>4,414,866,445.96</u>

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, 2004 AND 2003**

**(UNAUDITED/REVIEWED ONLY)**

	Note	2004	Baht	2003
<b>Revenues</b>				
Sales		2,226,658,858.52		1,332,858,619.77
Other income		39,368,044.52		12,134,133.72
Total revenues		<u>2,266,026,903.04</u>		<u>1,344,992,753.49</u>
<b>Expenses</b>				
Cost of sales		1,772,847,317.25		1,070,564,781.46
Selling and administrative expenses		379,659,896.20		240,433,398.74
Total expenses		<u>2,152,507,213.45</u>		<u>1,310,998,180.20</u>
Profit before interest expenses and income tax		113,519,689.59		33,994,573.29
Interest expenses		(5,781,706.04)		(5,618,806.17)
Income tax		(28,157,286.05)		(1,745,534.03)
Net profit		<u>79,580,697.50</u>		<u>26,630,233.09</u>
<b>Basic earnings per share</b>	13			
Net profit		0.11		0.04
<b>Diluted earnings per share</b>	13			
Net profit		0.10		0.04

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, 2004 AND 2003**  
**(UNAUDITED/REVIEWED ONLY)**

(Unit : Baht)

	Issued and paid- up share capital	Premium on share capital	Legal reserve	Retained earnings (Deficit)	Total
Beginning balance as at					
January 1, 2003	750,000,000.00	184,121,460.61	9,500,000.00	201,552,769.85	1,145,174,230.46
Legal reserve	0.00	0.00	1,500,000.00	(1,500,000.00)	0.00
Net profit	0.00	0.00	0.00	26,630,233.09	26,630,233.09
Beginning balance as at					
March 31, 2003	750,000,000.00	184,121,460.61	11,000,000.00	226,683,002.94	1,171,804,463.55
Beginning balance as at					
January 1, 2004	753,000,000.00	190,121,460.61	20,000,000.00	352,689,369.39	1,315,810,830.00
Legal reserve	0.00	0.00	4,000,000.00	(4,000,000.00)	0.00
Net profit	0.00	0.00	0.00	79,580,697.50	79,580,697.50
Beginning balance as at					
March 31, 2004	753,000,000.00	190,121,460.61	24,000,000.00	428,270,066.89	1,395,391,527.50

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, 2004 AND 2003**

**(UNAUDITED/REVIEWED ONLY)**

	2004	Baht	2003
<b>Cash flows from operating activities</b>			
Net profit	79,580,697.50		26,630,233.09
Adjustment net profit (loss) to cash receipt (disbursement)			
Depreciation	43,704,946.34		25,028,219.56
Amortization of leasehold	3,210,574.50		2,050,744.65
Increase in allowance for damaged goods	3,548,964.40		3,526,697.06
(Decrease) in allowance for doubtful accounts	0.00		(22,041,470.22)
(Gain) Loss from sales of assets	223,169.80		0.00
Unrealized (gain) loss from exchange rate	0.00		(519.60)
(Increase) Decrease in accounts and notes			
receivable	(18,382,676.44)		54,607,191.13
(Increase) Decrease in inventories	(80,179,667.86)		(109,951,087.08)
(Increase) Decrease in other current assets	6,828,438.44		20,002,357.49
(Increase) Decrease in receivable - Revenue			
Department	7,970,953.00		(3,125,999.33)
(Increase) in retention for lease	0.00		(4,000,000.00)
(Increase) Decrease in other non-current assets	750,355.00		97,500.00
Increase (Decrease) in accounts and notes			
payable	114,911,208.12		(33,957,485.30)
Increase (Decrease) in other payables	(11,233,639.40)		11,756,816.85
Increase (Decrease) in accrued interest expense	90,738.22		(338,205.68)
Increase in deposit from sales of goods	30,374,494.64		2,358,257.51
Increase (Decrease) in other current liabilities	(24,918,521.90)		(9,258,993.71)
Increase (Decrease) in other non-current			
liabilities	(3,542,374.53)		6,055,958.15
<b>Net cash provided by (used in) operating activities</b>	<b>152,937,659.83</b>		<b>(30,559,785.43)</b>



**HOME PRODUCT CENTER PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS (Cont.)**  
**FOR THREE MONTHS ENDED MARCH 31, 2004 AND 2003**  
**(UNAUDITED/REVIEWED ONLY)**

	2004	Baht	2003
<b>Cash flows from investing activities</b>			
Decrease in fixed deposit	11,996,718.95		2,000,000.00
Sales of assets	132,107.01		0.00
Paid for assets payable	(57,983,621.77)		(111,285,480.69)
Purchase of fixed assets	(31,105,275.92)		(59,887,873.57)
<b>Net cash provided by (used in) investing activities</b>	(76,960,071.73)		(169,173,354.26)
<b>Cash flows from financing activities</b>			
Received (Paid) for bank overdrafts and loans from banks	(49,954,550.52)		378,138,781.91
Received from long-term loans	28,500,000.00		28,500,000.00
Paid for long-term loans	(20,574,999.00)		(27,714,999.00)
Paid for loans of financial lease agreement	(2,125,497.00)		(2,125,497.00)
<b>Net cash provided by (used in) financing activities</b>	(44,155,046.52)		376,798,285.91
<b>Net increase (decrease) in cash and cash equivalents</b>	31,822,541.58		177,065,146.22
<b>Cash and cash equivalents at the beginning of     the period</b>	36,291,871.62		84,051,092.97
<b>Cash and cash equivalents at the end of the period</b>	68,114,413.20		261,116,239.19
<b>Additional disclosure of cash flows information</b>			
Cash paid during the period			
Interest expenses	5,690,967.82		5,957,011.85
Income tax	3,269,733.34		2,455,307.10

Notes to financial statements are parts of these financial statements.

**HOME PRODUCT CENTER PUBLIC COMPANY LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT MARCH 31, 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**

	March 31, 2004	Baht December 31, 2003
Cash on hand	16,872,904.39	14,535,520.46
Current accounts	7,783,243.64	6,563,878.79
Savings deposit	43,458,265.17	15,192,472.37
Total	<u>68,114,413.20</u>	<u>36,291,871.62</u>

#### 4. ACCOUNTS RECEIVABLE - NET

	March 31, 2004	Baht December 31, 2003
Accounts receivable	122,179,951.01	103,303,732.88
Cheque return receivable	19,122,191.68	19,212,191.68
Credit card and coupon receivable	19,483,694.96	19,887,236.65
Total	<u>160,785,837.65</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>139,618,372.84</u>	<u>121,235,696.40</u>

The Company has delinquent trade receivable, classified by aging which over 12 months as at March 31, 2004 and December 31, 2003 for the amount of Baht 19.12 million and Baht 19.21 million, respectively. During the year 2003, the Company written off accounts receivable and allowance for doubtful accounts of Baht 21.79 million.

#### 5. INVENTORIES

	March 31, 2004	Baht December 31, 2003
Inventories	1,826,530,100.34	1,746,350,432.48
Less Allowance for damaged goods	<u>(47,556,328.90)</u>	<u>(44,007,364.50)</u>
Total	<u>1,778,973,771.44</u>	<u>1,702,343,067.98</u>

Inventories as at March 31, 2004 and December 31, 2003 are included valuation of goods that will be paid after sales for the amount of Baht 203.42 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 March 31, 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)	March 31, 2004
Cost :					
Land and improvement					
on land	203,371,228.00	0.00	0.00	0.00	203,371,228.00
Building, building on lease					
land and improvement					
on lease land	1,360,664,288.23	1,380,060.81	(166,760.90)	32,924,204.71	1,394,801,792.85
Computer system	160,365,869.66	14,241,758.93	0.00	2,294,725.71	176,902,354.30
Office supplies	99,708,823.11	5,711,506.95	(742,119.67)	1,762,450.00	106,440,660.39
Furniture, fixtures and					
equipment	532,672,508.63	2,180,470.55	(800.00)	12,122,287.86	546,974,467.04
Vehicles	7,439,597.91	1,357,948.47	0.00	0.00	8,797,546.38
Building under construction					
on lease land	57,604,497.49	56,331,870.25	0.00	(36,112,006.18)	77,824,361.56
Computer system under					
installation	3,430,190.00	7,742,790.00	0.00	(2,285,796.71)	8,887,183.29
Furniture and equipment					
under installation	0.00	0.00	0.00	(10,705,865.39)	(10,705,865.39)
Total	<u>2,425,257,003.03</u>	<u>88,946,405.96</u>	<u>(909,680.57)</u>	<u>0.00</u>	<u>2,513,293,728.42</u>
Accumulated depreciation :					
Building, building on lease					
land and improvement					
on lease land	176,436,966.45	14,505,149.44	(1,187.59)	0.00	190,940,928.30
Computer system	48,071,616.00	6,922,561.39	0.00	0.00	54,994,177.39
Office supplies	41,196,959.86	4,522,241.12	(369,708.88)	0.00	45,349,492.10
Furniture and equipment					
under installation	124,615,472.90	17,317,520.78	(26.23)	0.00	141,932,967.45
Vehicles	2,162,510.32	437,473.61	0.00	0.00	2,599,983.93
Total	<u>392,483,525.53</u>	<u>43,704,946.34</u>	<u>(370,922.70)</u>	<u>0.00</u>	<u>435,817,549.17</u>
Net book value	<u>2,032,773,477.50</u>				<u>2,077,476,179.25</u>

Depreciation : For three months ended March 31, 2004 amounting to Baht 43,704,946.34.

For three months ended March 31, 2003 amounting to Baht 25,028,219.56.

Property, plant and equipment at book value before deducting accumulated depreciation in fully amount as at March 31, 2004 and December 31, 2003 amounting to Baht 24.84 million and Baht 24.79 million respectively are still being operated.

As at March 31, 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 a bank for credit line of Baht 563.76 million and Baht 563.76 million, respectively.

## 8. DEFERRED LEASEHOLD

	March 31, 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	(38,423,568.30)	(35,212,993.80)
Deferred leasehold - net	<u>298,495,559.96</u>	<u>301,706,134.46</u>
Amortization of leasehold :		
For three months ended March 31, 2004 amounting to Baht		3,210,594.50
For three months ended March 31, 2003 amounting to Baht		2,050,744.65

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.

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

	March 31, 2004	Baht December 31, 2003
Bank overdrafts	156,044.65	19,414,482.54
Loans from finance companies	477,000,000.00	507,696,112.63
Total	<u>477,156,044.65</u>	<u>527,110,595.17</u>

9.1 The Company has overdrafts line with several banks for credit lines of Baht 90 million and some of credit lines are guaranteed by leasehold and construction.

9.2 Loans from finance companies of Baht 477.00 million are short-term loans from several financial statements by issuing promissory notes and bill of exchange which are due in April 2004 and another part are due at call. Part of such loans are guaranteed by leasehold and construction.

## 10. LONG-TERM LOANS

	March 31, 2004	Baht December 31, 2003
Long-term loans	76,291,674.99	68,366,673.99
Less Current portion of long-term debt	(76,291,674.99)	(46,949,995.99)
Long-term loans - net	<u>0.00</u>	<u>21,416,678.00</u>

The Company has long-term loans from 2 commercial banks for 4 credit lines at the interest rate of MLR consist of :

No. of credit line	Amount of credit line	Amount of Baht		Repayment conditions per installment/per months
		March 31, 2004	Baht December 31, 2003	
1	28,500,000.00	26,125,000.00	4,750,000.00	Baht 2.38 million
2	36,000,000.00	16,500,000.00	18,750,000.00	Baht 0.75 million
3	40,000,000.00	19,166,675.00	21,666,674.00	Baht 0.83 million
4	34,800,000.00	14,500,000.00	23,200,000.00	Baht 2.90 million
	Total	<u>76,291,675.00</u>	<u>68,366,674.00</u>	

Such loans are guaranteed by leasehold right and construction on lease land, sub-leasehold and central utilities services in connection with sub leasehold including part of furniture and equipment (note 7 and 8).

## 11. DECORATION PAYABLE

	March 31, 2004	Baht December 31, 2003
Decoration payable	4,959,493.00	7,084,990.00
Less Current portion of long-term debt	(4,959,493.00)	(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
<b>Basic earnings per share</b>			
Net profit of common shares	79,580,697.50	753,000,000	0.11
Effects of diluted potential common share			
- Exercise rights		54,570,423	
<b>Diluted earnings per share</b>			
Profit of common shareholders			
assumed as conversion to			
common share	79,580,697.50	807,570,423	0.10

As at March 31, 2003, the convertible price of warrants are higher than the market value, therefore, there are no effects to the diluted earnings per share.

## 14. WARRANTS

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

As at March 31, 2004, the remaining warrants are as follows :

Number of warrants brought forward	187,500,000	Units
The number of exercised warrants up		
to March 31, 2004	3,000,000	Units
Balance number of warrants	184,500,000	Units

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

## 15. 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 three months ended March 31, 2004 of Baht 1.5 million (for the period of three months ended March 31, 2003, for the amount of Baht 600,000.00) which was presented in selling and administrative expenses.

## 16. COMMITMENT AND CONTINGENT LIABILITIES

16.1 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 March 31, 2004 and December 31, 2003 of Baht 33.75 million and Baht 18.25 million, respectively.

16.2 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.

## 17. 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, 2004	Baht December 31, 2003
Accounts receivable		
Land and Houses Plc. and subsidiaries	59,081,212.88	53,956,283.82
Quality Houses Plc. and subsidiaries	22,969,919.74	19,168,882.36
Total	<u>82,051,132.62</u>	<u>73,125,166.18</u>
Sales of goods		
Land and Houses Plc. and subsidiaries	79,935,461.10	329,078,793.25
Quality Houses Plc. and subsidiaries	43,919,540.54	151,715,938.40
Total	<u>123,855,001.64</u>	<u>480,794,731.65</u>



## **18. SUBSEQUENT EVENT**

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 the rate of Baht 0.12 million per share, totalling of Baht 90.36 million and will be paid on April 28, 2004.