

HOME PRODUCT CENTER PUBLIC COMPANY LIMITED

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2004 AND 2003

AUDITOR'S REPORT

To The Shareholders of

HOME PRODUCT CENTER PUBLIC COMPANY LIMITED

I have audited the balance sheets of HOME PRODUCT CENTER PUBLIC COMPANY LIMITED as at December 31, 2004 and 2003, the related statements of income, statements of changes in shareholders' equity and statements of cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HOME PRODUCT CENTER PUBLIC COMPANY LIMITED as at December 31, 2004 and 2003, the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Office of D I A International Auditing

(Mrs. Suvimol Krittayakiern)

C.P.A. (Thailand)

Registration No. 2982

February 14, 2005

HOME PRODUCT CENTER PUBLIC COMPANY LIMITED

BALANCE SHEETS

AS AT DECEMBER 31, 2004 AND 2003

Assets	Note	2004	Baht	2003
Current assets				
Cash and cash equivalents	2	104,966,368.10		36,291,871.62
Accounts receivable - net	3	170,817,952.67		121,235,696.40
Inventories	4	2,167,974,747.65		1,702,343,067.98
Receivable - Revenue Department		62,186,619.57		51,025,422.80
Other current assets		151,501,068.13		119,413,481.05
Total current assets		<u>2,657,446,756.12</u>		<u>2,030,309,539.85</u>
Non-current assets				
Fixed deposit	5	57,310.84		14,651,345.07
Property, plant and equipment - net	6	3,050,902,023.96		1,998,387,992.92
Intangible assets	7	464,220,746.21		336,091,619.04
Real estate foreclosed		4,174,122.40		4,174,122.40
Rentention for lease		27,188,996.30		25,824,626.20
Other non-current assets		4,828,907.36		5,427,200.48
Total non-current assets		<u>3,551,372,107.07</u>		<u>2,384,556,906.11</u>
Total assets		<u><u>6,208,818,863.19</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 DECEMBER 31, 2004 AND 2003

Liabilities and shareholders' equity	Note	2004	Baht	2003
Current liabilities				
Bank overdrafts and short-term loans				
from financial institutions	8	400,147,663.12		527,110,595.17
Accounts payable		2,445,626,824.80		1,996,511,486.66
Promissory notes	9	38,000,000.00		0.00
Current portion of long-term debt	10,11,12	185,970,533.42		66,054,239.49
Assets payable	10	32,157,655.11		38,848,523.53
Deposits for goods		182,976,248.06		132,960,603.90
Other payables		104,748,136.98		64,600,083.48
Other current liabilities		254,161,259.82		192,293,235.03
Total current liabilities		<u>3,643,788,321.31</u>		<u>3,018,378,767.26</u>
Non-current liabilities				
Long-term loans	11	849,416,682.00		21,416,678.00
Rental received in advance		81,030,900.00		42,691,500.00
Other non-current liabilities		24,802,095.60		16,568,670.70
Total non-current liabilities		<u>955,249,677.60</u>		<u>80,676,848.70</u>
Total liabilities		<u>4,599,037,998.91</u>		<u>3,099,055,615.96</u>

HOME PRODUCT CENTER PUBLIC COMPANY LIMITED

BALANCE SHEETS (Cont.)

AS AT DECEMBER 31, 2004 AND 2003

Liabilities and shareholders' equity (Cont.)	Note	2004	Baht	2003
Shareholders' equity				
Share capital				
Authorized share capital				
987,500,000 common shares of Baht 1 each		987,500,000.00		987,500,000.00
Issued and paid-up share capital				
756,089,030 common shares of Baht 1 each	17	756,089,030.00		
753,000,000 common shares of Baht 1 each	17			753,000,000.00
Premium on share capital		190,121,460.61		190,121,460.61
Retained earnings				
Appropriated				
Legal reserve	13	39,100,000.00		20,000,000.00
Unappropriated		624,470,373.67		352,689,369.39
Total shareholders' equity		1,609,780,864.28		1,315,810,830.00
Total liabilities and shareholders' equity		6,208,818,863.19		4,414,866,445.96

Notes to financial statements are parts of these financial statements.

HOME PRODUCT CENTER PUBLIC COMPANY LIMITED

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Note	2004	Baht	2003
Revenues				
Sales		9,814,252,957.99		6,752,971,593.68
Other income		220,241,556.59		113,740,096.46
Total revenues		<u>10,034,494,514.58</u>		<u>6,866,711,690.14</u>
Expenses				
Cost of sales		7,736,333,241.16		5,327,226,153.34
Selling and administrative expenses		1,736,511,984.95		1,235,450,405.11
Total expenses		<u>9,472,845,226.11</u>		<u>6,562,676,558.45</u>
Profit before interest expenses and income tax		561,649,288.47		304,035,131.69
Interest expenses		(32,662,207.18)		(24,985,942.16)
Income tax		(147,746,077.01)		(72,412,589.99)
Net profit		<u><u>381,241,004.28</u></u>		<u><u>206,636,599.54</u></u>
Basic earnings per share				
Net profit	15	0.51		0.27
Diluted earnings per share				
Net profit	15	0.47		0.26

Notes to financial statements are parts of these financial statements.

HOME PRODUCT CENTER PUBLIC COMPANY LIMITED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

		(Unit : Baht)				
	Note	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
Warrants to purchase						
common shares	17	3,000,000.00	6,000,000.00	0.00	0.00	9,000,000.00
Legal reserve	13	0.00	0.00	10,500,000.00	(10,500,000.00)	0.00
Dividend paid	19	0.00	0.00	0.00	(45,000,000.00)	(45,000,000.00)
Net profit		0.00	0.00	0.00	206,636,599.54	206,636,599.54
Ending balance as at						
December 31, 2003		753,000,000.00	190,121,460.61	20,000,000.00	352,689,369.39	1,315,810,830.00
Warrants to purchase						
common shares	17	3,089,030.00	0.00	0.00	0.00	3,089,030.00
Legal reserve	13	0.00	0.00	19,100,000.00	(19,100,000.00)	0.00
Dividend paid	19	0.00	0.00	0.00	(90,360,000.00)	(90,360,000.00)
Net profit		0.00	0.00	0.00	381,241,004.28	381,241,004.28
Ending balance as at						
December 31, 2004		756,089,030.00	190,121,460.61	39,100,000.00	624,470,373.67	1,609,780,864.28

Notes to financial statements are parts of these financial statements.

HOME PRODUCT CENTER PUBLIC COMPANY LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	Baht	2003
Cash flows from operating activities			
Net profit	381,241,004.28		206,636,599.54
Adjustment net profit (loss) to cash receipt (disbursement)			
Depreciation	191,214,513.31		131,123,053.51
Amortization of intangible assets	21,270,303.00		13,029,960.41
Increase (Decrease) in allowance for			
damaged goods	(31,631,465.41)		25,772,977.56
(Gain) Loss from sales of assets	12,048,976.15		6,850,146.40
(Increase) Decrease in accounts and notes			
receivable	(49,582,256.27)		17,963,566.43
(Increase) Decrease in inventories	(434,000,214.26)		(482,242,280.51)
(Increase) Decrease in other current assets	(32,087,587.08)		(27,268,411.74)
(Increase) Decrease in receivable - Revenue			
Department	(11,161,196.77)		(16,395,242.48)
(Increase) Decrease in retention for lease	(1,364,370.10)		(8,439,200.00)
(Increase) Decrease in other non-current			
assets	598,293.12		3,452,240.11
Increase (Decrease) in accounts and notes payable	449,115,338.14		569,469,877.83
Increase (Decrease) in other payables	40,148,053.50		15,530,746.17
Increase (Decrease) in accrued interest			
expenses	123,959.27		(367,550.30)
Increase (Decrease) in deposit from sales			
of goods	50,015,644.16		64,739,107.67
Increase (Decrease) in other current			
liabilities	61,744,065.52		104,654,961.67
Increase in rental received in advance	38,339,400.00		41,240,700.00
Increase (Decrease) in other non-current			
liabilities	8,233,424.90		(2,956,929.96)
Net cash provided (used in) operating activities	694,265,885.46		662,794,322.31

HOME PRODUCT CENTER PUBLIC COMPANY LIMITED
STATEMENTS OF CASH FLOWS (Cont.)
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	Baht	2003
Cash flows from investing activities			
Decrease in fixed deposit	14,594,034.23		17,350,476.66
Received from sales of assets	2,717,324.22		1,554,466.83
(Increase) Decrease in intangible assets	(149,399,430.17)		(96,351,121.84)
Paid for assets payable	(38,848,523.53)		(47,156,181.95)
Purchase of fixed assets	(1,188,337,189.61)		(864,524,656.05)
Net cash provided (used in) investing activities	<u>(1,359,273,784.86)</u>		<u>(989,127,016.35)</u>
Cash flows from financing activities			
Received (Paid) for bank overdrafts and			
short-term loans from financial institutions	(126,962,932.05)		386,911,709.04
Paid for promissory notes	0.00		(15,500,000.00)
Received from long-term loans	1,028,500,000.00		63,300,000.00
Paid for long-term loans	(75,449,995.99)		(108,679,996.01)
Paid for loans of financial lease agreement	(7,084,990.00)		(8,501,988.00)
Increase (Decrease) in long-term liabilities			
from hire purchase agreement	1,951,283.92		(2,956,252.34)
Dividend paid	(90,360,000.00)		(45,000,000.00)
Warrants - to purchase common shares	3,089,030.00		9,000,000.00
Net cash provided (used in) financing activities	<u>733,682,395.88</u>		<u>278,573,472.69</u>
Net increase (decrease) in cash and cash equivalents	<u>68,674,496.48</u>		<u>(47,759,221.35)</u>
Cash and cash equivalents at the beginning of			
 the period	<u>36,291,871.62</u>		<u>84,051,092.97</u>
Cash and cash equivalents at the end of the period	<u>104,966,368.10</u>		<u>36,291,871.62</u>
Additional disclosure of cash flows information			
Cash paid during the period			
Interest expenses	32,538,247.91		25,353,492.46
Income tax	115,436,260.49		44,116,431.89

Notes to financial statements are parts of these financial statements.

HOME PRODUCT CENTER PUBLIC COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2004 AND 2003

FINANCIAL STATEMENTS PRESENTATION BASIS

These financial statements have been prepared in accordance with the notification of the Department of Commercial Registration 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 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 over the period of lease and services.

Services income are recognized whenever the services are rendered.

1.2 Cash and cash equivalents

Cash and cash equivalents mean cash on hand and all type of bank deposit excluding deposit which held to maturity and liquid short-term investments that had slightly risk in changing valuation.

1.3 Accounts receivable and allowance for doubtful accounts

Accounts receivable are stated at the net realizable value. The Company provided the allowance for doubtful accounts equal to the estimated loss from uncollectible wholesale receivables which estimated by the management.

1.4 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.

1.5 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.

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

Building on lease land and building improvement are depreciated on a period of the lease but 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

1.6 Intangible assets

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

1.6.2 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.

1.7 Transactions in foreign currencies

The Company 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.

1.8 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.

1.9 Earnings per share

1.9.1 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.

1.9.2 Diluted earnings per share

Diluted earnings per share is calculated by using net profit after adjust related revenue or 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.

1.10 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates for certain accounting transaction, affecting amounts reported in the financial statements and notes related thereto. Subsequent actual results may differ from these estimates.

2. CASH AND CASH EQUIVALENTS

	2004	Baht	2003
Cash on hand	28,878,887.02		14,535,520.46
Current accounts	15,801,465.12		6,563,878.79
Savings deposit	60,286,015.96		15,192,472.37
Total	<u>104,966,368.10</u>		<u>36,291,871.62</u>

3. ACCOUNTS RECEIVABLE - NET

	2004	Baht	2003
Accounts receivable	143,746,817.59		103,303,732.88
Cheque return receivable	18,952,185.68		19,212,191.68
Credit card and coupon receivable	29,286,414.21		19,887,236.65
Total	191,985,417.48		142,403,161.21
Less Allowance for doubtful accounts	(21,167,464.81)		(21,167,464.81)
Accounts receivable - net	170,817,952.67		121,235,696.40

The Company has delinquent trade receivable, classified by aging which over 12 months as at December 31, 2004 and 2003 for the amount of Baht 18.95 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.

4. INVENTORIES

	2004	Baht	2003
Inventories	2,233,350,646.74		1,746,350,432.48
Less Allowance for damaged goods	(65,375,899.09)		(44,007,364.50)
Total	2,167,974,747.65		1,702,343,067.98

Inventories as at December 31, 2004 and 2003 are included valuation of goods that will be paid after sales for the amount of Baht 261.57 million and Baht 189.18 million, respectively. The Company recorded related companies payable and such goods at the same amount.

5. FIXED DEPOSIT

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

6. PROPERTY, PLANT AND EQUIPMENT - NET

	December 31, 2003	Increase	Decrease	Transfer in (out)	December 31, 2004
Cost :					
Land and improvement					
on land	203,371,228.00	388,000,000.00	0.00	0.00	591,371,228.00
Building, buidling on lease					
land and improvement					
on lease land	1,360,664,288.23	94,148,764.14	(540,105.48)	484,632,766.80	1,938,905,713.69
Computer system	114,524,431.05	17,225,508.87	(6,304,791.50)	27,444,963.00	152,890,111.42
Office supplies	99,708,823.11	32,966,409.13	(2,053,950.30)	9,177,219.00	139,798,500.94
Furniture, fixtures and					
equipment	532,672,508.63	54,270,943.42	(18,541,010.50)	12,408,023.51	580,810,465.06
Vehicles	7,439,597.91	8,552,341.01	(2,080,000.00)	0.00	13,911,938.92
Building under construction					
on lease land	57,604,497.49	583,316,567.15	0.00	(491,896,999.41)	149,024,065.23
Computer system under					
installation	3,430,190.00	44,850,393.00	0.00	(27,516,933.00)	20,763,650.00
Furniture and equipment					
under installation	0.00	35,163,918.00	(15,744.10)	(14,249,039.90)	20,899,134.00
Total	2,379,415,564.42	1,258,494,844.72	(29,535,601.88)	(0.00)	3,608,374,807.26
Accumulated depreciation :					
Building, buidling on lease					
land and improvement					
on lease land	176,436,966.45	66,809,918.00	(23,186.59)	0.00	243,223,697.86
Computer system	36,615,661.97	28,345,826.64	(4,994,812.46)	0.00	59,966,676.15
Office supplies	41,196,959.86	20,141,349.25	(1,647,834.73)	0.00	59,690,474.38
Furniture and equipment					
under installation	124,615,472.90	73,932,836.96	(6,628,329.05)	0.00	191,919,980.81
Vehicles	2,162,510.32	1,984,582.46	(1,475,138.68)	0.00	2,671,954.10
Total	381,027,571.50	191,214,513.31	(14,769,301.51)	0.00	557,472,783.30
Net book value	1,998,387,992.92				3,050,902,023.96

Depreciation : For the year ended December 31, 2004 amounting to Baht 191,214,513.31.

For the year ended December 31, 2003 amounting to Baht 131,123,053.51.

Property, plant and equipment at book value before deducting accumulated depreciation in fully amount as at December 31, 2004 and 2003 amounting to Baht 31.48 million and Baht 24.79 million respectively are still being operated.

As at December 31, 2004 and 2003, the Company has mortgaged all leasehold (note 7.1) 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 1,675 million and Baht 563.76 million, respectively.

In 2004, the Company has separated computer programme and related transactions to present as intangible assets (note 7.2) and adjusted the 2003 transaction for comparative purpose.

7. INTANGIBLE ASSETS

Intangible assets consist of:

7.1 Deferred leasehold

	2004	Baht	2003
Deferred leasehold	336,919,128.26		236,152,826.56
Add Increase during the year	101,115,927.00		100,766,301.70
Less Accumulated amortization	(48,321,375.48)		(35,212,993.80)
Deferred leasehold - net	<u>389,713,679.78</u>		<u>301,706,134.46</u>

Amortization of leasehold :

For the year ended December 31, 2004 amounting to Baht 13,108,381.68

For the year ended December 31, 2003 amounting to Baht 8,904,621.87

Deferred leasehold are leasehold land and building which amortized on a period of the lease agreement. In 2004 and 2003, the Company made payment for additional leasehold amount of Baht 101.12 million and Baht 100.77 million, respectively. The period of the lease is 24 - 30 years.

7.2 Computer programme

	2004	Baht	2003
Computer programme	45,841,438.61		50,256,618.47
Add Increase during the year	48,283,503.17		12,004,982.35
Less Decrease during the year	0.00		(16,420,162.21)
Less Accumulated amortization	(19,617,875.35)		(11,455,954.03)
Computer programme - net	<u>74,507,066.43</u>		<u>34,385,484.58</u>

Amortization of computer programme :

For the year ended December 31, 2004 amounting to Baht 8,161,921.32

For the year ended December 31, 2003 amounting to Baht 4,125,338.54

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

	2004	Baht	2003
Bank overdrafts	147,663.12		19,414,482.54
Loans from finance companies	400,000,000.00		507,696,112.63
Total	400,147,663.12		527,110,595.17

8.1 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.

8.2 Loans from finance companies of Baht 400 million are short-term loans from several financial statements by issuing promissory notes and bill of exchange of Baht 200 million which are due during January 2005 and part of such loans are guaranteed by leasehold and construction.

9. PROMISSORY NOTES

The Company issued promissory notes of Baht 38 million for payment leasehold right and the aval notes by a commercial bank which are matured in January 2005.

10. ASSETS PAYABLE

Assets payable consist of :

	2004	Baht	2003
Other assets payable	18,699,448.90		31,732,678.79
Long term liabilities from hire purchase agreement	27,428,743.63		19,135,098.24
Less Current portion of long-term debt	(13,970,537.42)		(12,019,253.50)
Total	32,157,655.11		38,848,523.53

11. LONG-TERM LOANS

	2004	Baht	2003
Long-term loans	1,021,416,678.00		68,366,673.99
Less Current portion of long-term debt	(171,999,996.00)		(46,949,995.99)
Long-term loans - net	<u>849,416,682.00</u>		<u>21,416,678.00</u>

As at December 31, 2004 and 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 per installment/per months	Rate of interest
		2004	Baht	2003		
1	28,500,000.00	0.00		4,750,000.00	Baht 2.38 million	MLR
2	36,000,000.00	9,750,000.00		18,750,000.00	Baht 0.75 million	MLR
3	40,000,000.00	11,666,678.00		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	1,000,000,000.00		0.00	Baht 17.00 million	Fixed for 2 years
	Total	<u>1,021,416,678.00</u>		<u>68,366,674.00</u>		at 2.95 - 3.65 and MLR - 1 thereafter

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 6,7 and 8).

12. DECORATION PAYABLE

	2004	Baht	2003
Decoration payable	0.00		7,084,990.00
Less Current portion of long-term debt	0.00		(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.

13. 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.

14. 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 year ended December 31, 2004 of Baht 6 million (for the year ended December 31, 2003, for the amount of Baht 3 million).

15. EARNINGS PER SHARE

For the year ended December 31, 2004			
	Profit (Baht)	Number of share	Baht/share
Basic earnings per share			
Net profit of common shares	381,241,004.28	753,262,356	0.51
Effects of diluted potential common share			
- Exercise rights		64,706,840	
Diluted earnings per share			
Profit of common shareholders			
assumed as conversion to			
common share	381,241,004.28	817,969,196	0.47
For the year ended December 31, 2003			
	Profit (Baht)	Number of share	Baht/share
Basic earnings per share			
Net profit of common shares	206,636,599.54	751,750,685	0.27
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	206,636,599.54	806,321,108	0.26

16. 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.

The weighted average of common shares issued and paid-up which were divided net profit for the year ended December 31, 2004 and 2003 were 753,262,356 shares and 751,750,685 shares, respectively.

17. WARRANTS

17.1 Warrants issuance to the existing shareholders

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

As the Company's allotment 15,000,000 units of warrants to purchase ordinary shares of Company to employees of the Company (ESOP) No.1, 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.

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

Number of warrants brought forward	187,500,000	Units
The number of exercised warrants up to December 31, 2004	<u>3,000,000</u>	Units
Balance number of warrants	<u><u>184,500,000</u></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.

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

On September 15, 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, held on April 8, 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.

As at December 31, 2004, the remaining warrants for the employees (including the directors who is an employee) are as follows :

Number of total warrants	15,000,000	Units
The number of exercised warrants up to December 31, 2004	<u>3,089,030</u>	Units
Balance number of warrants	<u><u>11,910,970</u></u>	Units

The aforementioned exercise right resulted increasing in common shares of Baht 3.09 million.

18. COMMITMENT AND CONTINGENT LIABILITIES

18.1 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 December 31, 2004 and 2003 of Baht 66.48 million and Baht 18.25 million, respectively.

18.2 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.

19. 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.

According to the minutes of shareholders' general meeting for the year 2003 held on April 25, 2003, the Company passed the resolution to pay dividend for the year 2002 at Baht 0.06 per share amounting to Baht 45 million which was paid in May 2003.

20. 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.

	2004	Baht	2003
Accounts receivable			
Land and Houses Plc. and subsidiaries	65,431,864.73		53,956,283.82
Quality Houses Plc. and subsidiaries	15,012,807.09		19,168,882.36
Total	80,444,671.82		73,125,166.18
Accounts payable			
Quality Construction Products Plc. and subsidiaries	633,964.82		861,830.44
Total	633,964.82		861,830.44
Sales of goods			
Land and Houses Plc. and subsidiaries	338,655,808.79		246,359,193.31
Quality Houses Plc. and subsidiaries	135,298,808.48		107,407,912.59
Total	473,954,617.27		353,767,105.90
Purchase of goods			
Quality Construction Products Plc. and subsidiaries	4,802,704.42		942,287.53
Total	4,802,704.42		942,287.53

21. COMMITMENT ON LEASEHOLD

21.1 The Company entered into six 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 - Since August 1, 2001 pay additional at the rate of 4% per annum until agreement due - 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 until agreement due
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 1st-5th year - 11th-15th year, pay additional at the rate of 33% of 6th-10th year - 16th-20th year, pay additional at the rate of 25% of 11th-15th year - 21st-25th year, pay additional at the rate of 30% of 16th-20th year - 26th-30th year, pay additional at the rate of 27% of 21st-25th year

Items	Agreement date	Periods	Maturing date	Rental fee
5	March 20, 2004	8 years	Oct. 14, 2034	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
	November 6, 2002	30 years	Dec. 31, 2033	- 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
6	December 19, 2003	30 years	Dec. 22, 2033	- 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

21.2 The Company entered into twelve lease agreement of department space as follows :

Items	Agreement date	Periods	Maturing date	Rental fee
1	May 1, 1999	24 years	Apr. 30, 2023	- pay monthly of Baht 0.15 million - pay additional at the rate of 10% of every 3 year
2	December 28, 1999	17 years	Dec. 31, 2015	- pay monthly of Baht 0.16 million - pay additional at the rate of 15% of every 3 year
3	January 1, 2000	23 years 6 months	Jun. 30, 2023	- Pay additional every 3 years at the rate as follows : - 1st-3rd year, pay monthly of Baht 0.47 million - Baht 0.62 million.

Items	Agreement date	Periods	Maturing date	Rental fee
4	January 13, 2000	22 years	Jun. 30, 2022	<ul style="list-style-type: none"> - 4th-6th year, pay additional at the rate of 10% of 1st year. - 7th-9th year, pay additional at the rate of 10% of 2nd year. - 10th-12th year, pay additional at the rate of 10% of 3rd year. - 13th-24th year, pay additional at the rate of 10% of every 3 year - Pay additional every 3 years at the rate as follows : - 1st-15th year, pay monthly of Baht 0.26 million - Baht 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
5	May 1, 2001	24 years	Apr. 30, 2025	<ul style="list-style-type: none"> - 1st-15th year, pay monthly of Baht 0.17 - 03.30 million - 16th-18th year, pay additional under market condition 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

Items	Agreement date	Periods	Maturing date	Rental fee
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-6th year, pay additional at the rate of 12% of 1st year. - 7th-9th year, pay additional at the rate of 12% of 4th year. - 10th-12th year, pay additional at the rate of 12% of 7th year. - 13th-15th year, pay additional at the rate of 7% of 10th year. - 16th-18th year, pay additional at the rate of 7% of 13th year. - 19th year, pay monthly of Baht 1.06 million.
7	October 27, 2001	20 years	Oct. 26, 2021	- pay monthly of Baht 0.32 million, change on rental at the rate of 12% every 3 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.

22. DISCLOSURE AND PRESENTATION OF FINANCIAL INSTRUMENTS

22.1 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 have been disclosed in note 1.

22.2 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 expect that the accounts of credit risk is immaterial.

22.3 Interest rate risk

The Company may incurred interest rate risk of loans from banks and other finance companies because of the most of agreement indicated the floating interest rate. If changing in interest rate may affected to the Company.

22.4 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, assets payable, decoration and hire purchase payable and long-term loans carrying value equal to the estimated fair value. Parts of long-term loans carry interest at the rate close to current market rates. However, long-term loans of Baht 1,000 million was presented in balance sheet for the amount of Baht 1,000 million (at interest rate as stated in note 11) but had fair value of Baht 964.13 million. Fair value are estimated by using present value of cash flow at the rate of 5.7% per annum (interest rate is the average rate of credit providing of 5 commercial bank). The management believes that there is no material risk financial instruments.

23. RECLASSIFICATION

The financial statements for the year ended December 31, 2003 have been reclassified for comparison purpose with the financial statements for the year ended December 31, 2004

24. GENERAL INFORMATION

24.1 The Company was established as a company limited and changed its status to a public company limited under Thai law. The Company engaged in business of trading of construction materials, construction equipment and tools, decoration equipment and instruments.

24.2 As at December 31, 2004, the Company has 2,708 staff (in 2003, the number of staff was 2,320).

24.3 Staff expense in 2004 is Baht 560.65 million (in 2003, the amount was Baht 420.01 million).