

**HOME PRODUCT CENTER PUBLIC COMPANY LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT JUNE 30, 2003 (UNAUDITED/REVIEWED ONLY)**

**AND AS AT DECEMBER 31, 2002 (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, 2002.

**3. CASH AND CASH EQUIVALENTS**

	June 30, 2003	Baht December 31, 2002
Cash on hand	11,663,960.98	30,257,890.68
Current accounts	10,316,111.61	16,765,859.38
Savings deposit	37,119,283.54	37,027,342.91
Total	<u>59,099,356.13</u>	<u>84,051,092.97</u>

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

	June 30, 2003	Baht	December 31, 2002
Accounts receivable	86,458,801.91		104,659,956.62
Cheque return receivable	20,820,185.68		42,696,392.55
Credit card and coupon receivable	26,320,568.71		36,551,848.69
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Total	133,599,556.30		183,908,197.86
Less Allowance for doubtful accounts	(21,167,464.81)		(43,208,935.03)
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Accounts and notes receivable - net	<u>112,432,091.49</u>		<u>140,699,262.83</u>

The Company's trade accounts and notes receivable are long outstanding for over 12 months as at June 30, 2003 and December 31, 2002, in the amount of Baht 20.82 million and Baht 43.21 million, respectively.

#### 5. INVENTORIES

	June 30, 2003	Baht	December 31, 2002
Inventories	1,557,403,397.33		1,264,108,151.97
Less Allowance for damaged goods	(25,339,295.73)		(18,234,386.94)
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Total	<u>1,532,064,101.60</u>		<u>1,245,873,765.03</u>

#### 6. FIXED DEPOSIT WITH COMMITMENT

The Company used fixed deposit in full as guarantee from aval promissory notes of Baht 15.5 million (note 10) and guarantee the treatment under land lease agreement of Baht 12 million to a commercial bank.

## 7. PROPERTY, PLANT AND EQUIPMENT - NET

	December 31, 2002	Increase	Decrease	Transfer in (out)	June 30, 2003
Cost :					
Land and improvement					
on land	136,300,000.00	33,630,475.00	0.00	0.00	169,930,475.00
Building and improvement					
on lease land	789,354,422.71	74,338,408.89	0.00	233,498,284.00	1,097,191,115.60
Computer system	142,419,307.30	14,207,104.46	0.00	2,349,725.71	158,976,137.47
Office supplies	59,749,038.36	23,761,493.12	(48,379.98)	3,713,147.46	87,175,298.96
Furniture, fixtures and					
equipment	307,517,144.64	91,413,931.35	(371,405.92)	30,659,619.85	429,219,289.92
Vehicles	3,868,060.16	1,809,345.82	(73,128.96)	0.00	5,604,277.02
Building under construction					
on lease land	108,709,303.15	372,272,822.40	0.00	(237,052,745.47)	243,929,380.08
Computer system under					
installation	2,700,796.71	2,954,990.00	0.00	(2,340,796.71)	3,314,990.00
Furniture and equipment					
under installation	200,705.00	46,467,476.76	0.00	(30,827,234.84)	15,840,946.92
Total	<u>1,550,818,778.03</u>	<u>660,856,047.80</u>	<u>(492,914.86)</u>	<u>0.00</u>	<u>2,211,181,910.97</u>
Accumulated depreciation :					
Building and improvement					
on lease land	128,959,333.25	18,639,032.87	0.00	(390.68)	147,597,975.44
Computer system	39,099,243.36	10,689,129.25	0.00	58,213.70	49,846,586.31
Office supplies	28,874,628.80	5,236,897.82	(37,167.98)	(57,823.02)	34,016,535.62
Furniture and equipment					
under installation	75,089,959.59	19,354,275.29	(263,579.71)	0.00	94,180,655.17
Vehicles	1,327,129.97	1,963,483.96	(28,089.53)	0.00	3,262,524.40
Total	<u>273,350,294.97</u>	<u>55,882,819.19</u>	<u>(328,837.22)</u>	<u>0.00</u>	<u>328,904,276.94</u>
Net book value	<u>1,277,468,483.06</u>				<u>1,882,277,634.03</u>

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

For six months ended June 30, 2002 amounting to Baht 35,305,365.73.

As at June 30, 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 503.50 million. As at June 30, 2003 and December 31, 2002, the Company has property, plant and equipment which are still in operations, at book value before deducting accumulated depreciation in full amount of Baht 21.40 million and Baht 11.64 million, respectively.

## 8. DEFERRED LEASEHOLD

	June 30, 2003	Baht December 31, 2002
Deferred leasehold	236,152,826.56	160,896,208.56
Add Increase during the year	1,371,273.70	75,256,618.00
Less Accumulated amortization	(30,425,335.07)	(26,308,371.93)
Deferred leasehold - net	<u>207,098,765.19</u>	<u>209,844,454.63</u>
Amortization of leasehold :		
For six months ended June 30, 2003 amounting to Baht		4,116,963.14
For six months ended June 30, 2002 amounting to Baht		3,305,982.63

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

	June 30, 2003	Baht December 31, 2002
Bank overdrafts	29,184,374.76	198,886.13
Loans from financial company - promissory notes	542,290,291.57	140,000,000.00
Total	<u>571,474,666.33</u>	<u>140,198,886.13</u>

9.1 The Company has overdrafts line with banks for several credit lines of Baht 90 million, some credit lines are guaranteed by building and leasehold and other credit lines have no collateral.

9.2 In 2003, the Company issued short-term promissory notes to finance companies of Baht 550 million, which are due during July 2003 to February 2004 and some promissory note without collateral.

## 10. LEASEHOLD PAYABLE

During the year 2002, the Company issued promissory notes of Baht 15.5 million for payment leasehold and the aval notes by a commercial bank guaranteed by fixed deposit in whole amount (note 6).

## 11. LONG-TERM LOANS

	June 30, 2003	Baht December 31, 2002
Long-term loans - net	86,816,372.00	113,746,670.00
Less Current portion of long-term debt	(55,899,996.00)	(74,913,329.00)
Long-term loans - net	<u>30,916,376.00</u>	<u>38,833,341.00</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
		June 30, 2003	Baht December 31, 2002	
1	83,500,000.00	12,100,000.00	26,380,000.00	Baht 2.38 million
2	36,000,000.00	23,250,000.00	27,750,000.00	Baht 0.75 million
3	40,000,000.00	26,666,672.00	31,666,670.00	Baht 0.83 million
4	237,000,000.00	24,800,000.00	27,950,000.00	As details
	Total	<u>86,816,672.00</u>	<u>113,746,670.00</u>	

The Company entered into loans from bank agreement in type of Revolving Line by dividing into 2 portions : the first portion is a one-year loan with monthly installment and the second portion consist of promissory notes that could be issued and redeemed within the Revolving Line which will be transferred to the first portion as detailed following :

No. of credit line	Amount of Baht	Amount of Baht		Repayment conditions per installment/per months
		June 30, 2003 Baht	December 31, 2002	
1. Part I	28,500,000.00	19,000,000.00	4,750,000.00	- 3/2003 - 2/2004 of Baht 2.38 million each
Part II	85,500,000.00	0.00	0.00	- Transfer to 1st portion of Baht 28.50 million per year
Total	<u>114,000,000.00</u>	<u>19,000,000.00</u>	<u>4,750,000.00</u>	
2. Part I	34,800,000.00	5,800,000.00	23,200,000.00	- 9/2002 - 8/2003 of Baht 2.9 million each
Part II	88,200,000.00	0.00	0.00	- Transfer to 1st portion of Baht 34.80 million per year
Total	<u>123,000,000.00</u>	<u>5,800,000.00</u>	<u>23,200,000.00</u>	
Grand Total	<u><u>237,000,000.00</u></u>	<u><u>24,800,000.00</u></u>	<u><u>27,950,000.00</u></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).

## 12. DECORATION PAYABLE

	June 30, 2003	Baht December 31, 2002
Decoration payable	11,335,984.00	15,586,978.00
Less Current portion of long-term debt	(8,501,988.00)	(8,501,988.00)
Total	<u>2,833,996.00</u>	<u>7,084,990.00</u>

The Company entered into an agreement that hire a company to 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 437,511.00 each and Baht 270,948.00 each, respectively, commencing on November 10, 1999 and maturing on November 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) as legal reserve until the reserve reaches 10% of authorized share capital.

### 14. DIRECTORS' REMUNERATION

Directors' remuneration is all benefits paid to the Company's directors which excluded salaries and related benefits for the period of six months ended June 30, 2003 of Baht 1,200,000.00 (for the period of six months ended June 30, 2002, for the amount of Baht 1,200,000.00)

### 15. TRANSACTION WITH RELATED COMPANIES

The Company's financial statements include the transactions with its related companies of which related by common shareholders and/or directorship. The value and benefits of these transactions are determined in the normal course of business based on the market value or the group of company concerned for non-market value.

	June 30, 2003 Baht	December 31, 2002
Accounts receivable		
Land and Houses Plc. and subsidiaries	56,857,505.52	61,599,072.65
Quality Houses Plc. and subsidiaries	15,810,749.66	20,121,444.68
Total	<u>72,668,255.18</u>	<u>81,720,517.33</u>
Sales of goods		
Land and Houses Plc. and subsidiaries	154,945,606.62	267,442,877.09
Quality Houses Plc. and subsidiaries	63,052,036.60	141,371,936.92
Total	<u>217,997,643.22</u>	<u>408,814,814.01</u>

## 16. EARNINGS (LOSS) PER SHARE

### 16.1 Basic earnings (loss) per share

	For three months		For six months	
	April - June		January - June	
	2003	2002	2003	2002
Weighted average				
number of				
common				
share	751,021,978	750,000,000	750,513,812	750,000,000

### 16.2 Diluted earnings per share

The Company has given the right on exercised warrants to purchase the increasing Baht 184.5 million shares since as at June 30, 2003, the convertible price of warrants are higher than the market value, therefore, there are no effects to the diluted earnings per share.

## 17. COMMITMENT AND CONTINGENT LIABILITIES

The Company has commitment on bank and financial institutions of guarantee for leasing, purchased goods or hire of work and collateral against to the government agencies as at June 30, 2003 and December 31, 2002 of Baht 33.25 million and Baht 27.95 million, respectively.

## 18. DIVIDEND PAID

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 the rate of Baht 0.06 per share totalling of Baht 45 million which was paid in May 2003.

## 19. WARRANTS

As the shareholders' ordinary meeting held on April 26, 2002, passed the resolution to issue warrant at the ratio of 1 unit of warrant for 1 common share with the exercise price of Baht 3.00 for 1 new common share. On May 30, 2003, the warrant holders had exercise right on conversion of warrants for 3 million units.



As at June 30, 2003, the remaining warrants are as follows :

Number of warrants brought forward	187,500,000	Units
The number of exercised warrants up to June 30, 2003	3,000,000	Units
Balance number of warrants	<u>184,500,000</u>	Units

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