

HOME PRODUCT CENTER PUBLIC COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

AS AT JUNE 30, 2005 (UNAUDITED/REVIEWED ONLY)

AND AS AT DECEMBER 31, 2004 (AUDITED)

1 PREPARATION OF INTERIM FINANCIAL STATEMENTS BASIS

Notes to interim financial statements have been prepared in conformity with the Accounting Standards 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.

These financial statements have been presented in accordance with the notification as issued by the Department of Commercial Registration of the Ministry of Commerce dated September 14, 2001, regarding the abbreviate items must be shown in the financial statements for the public company limited and conformed with the generally accepted accounting principles.

2. CONSOLIDATED FINANCIAL STATEMENTS PREPARATION BASIS

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

2.2 Transactions between subsidiary companies

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

3. 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, 2004 except the accounting policy for investment in subsidiaries are as follows :

Investment in subsidiaries are stated under equity method which was recorded at cost at the purchasing or acquisition date and will be changed to equity from subsidiary's operation for each accounting period in the proportion of investments of the Company.

4. CASH AND CASH EQUIVALENTS

	Baht : Thousand		
	Consolidated	Parent company	
	June 30, 2005	June 30, 2005	December 31,2004
Cash on hand	19,083	19,073	28,879
Current accounts	8,305	8,285	15,801
Savings deposit	31,858	26,924	60,286
Fixed deposit with 3 months maturity	58	58	58
Total	59,304	54,340	105,024

5. DEPOSIT WITH FINANCIAL INSTITUTIONS - PROMISSORY NOTES

These represent 2 promissory notes issued by a finance company are due at call for the amount of Baht 60 million.

These represent 1 bill of exchange issued by a finance company are due in July 2005 for the amount of Baht 475 million.

6. ACCOUNTS RECEIVABLE - NET

	Baht : Thousand		
	Consolidated	Parent company	
	June 30, 2005	June 30, 2005	December 31,2004
Accounts receivable	186,652	186,652	143,747
Cheque return receivable	18,826	18,826	18,952
Credit card and coupon receivable	18,576	18,576	29,286
Total	224,054	224,054	191,985
Less Allowance for doubtful accounts	(21,167)	(21,167)	(21,167)
Accounts receivable - net	202,887	202,887	170,818

The Company has delinquent trade receivable, classified by aging for over than 12 months as at June 30, 2005 and December 31, 2004 for the amount of Baht 18.83 million and Baht 18.95 million, respectively.

7. INVENTORIES

		Baht : Thousand	
		Consolidated	Parent company
		June 30, 2005	June 30, 2005 December 31,2004
Inventories		2,417,141	2,417,141 2,233,351
Less Allowance for damaged goods		(74,671)	(74,671) (65,376)
Total		2,342,470	2,342,470 2,167,975

Inventories as at June 30, 2005 and December 31, 2004 are included valuation of goods that will be paid after sales for the amount of Baht 292.36 million and Baht 261.57 million, respectively. The Company recorded related companies payable and such good at the same amount.

8. INVESTMENT IN SUBSIDIARIES

		Thousand Baht	%	Thousand Baht	Thousand Baht
Name of	Type of	Paid-up of	Percentage of	Investments	Investments
companies	business	share capital	investments	(Equity method)	(Cost method)
		June 30, 2005	June 30, 2005	June 30, 2005	June 30, 2005
Market Village	Space for lease				
Co.,Ltd.		5,000	99.99	4,834	4,999
Total investment in subsidiaries				4,834	4,999

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

The financial statements of such subsidiary was taken into consolidated financial statements and equity gain (loss) for the period ended June 30, 2005 was taken into computation under equity method from the reviewed financial statements by the auditor.

9. PROPERTY, PLANT AND EQUIPMENT - NET

Consolidated and parent's financial statement

Baht : Thousand

	December 31, 2004	Increase	Decrease	Transfer in (out)	June 30, 2005
Cost :					
Land and improvement on land	591,371	323,932	0	33,300	948,603
Building, building on lease land					
and improvement on lease land	1,938,906	47,203	(3,077)	64,332	2,047,364
Accessories - computer	152,890	7,739	(79)	3,018	163,568
Office supplies	139,799	9,268	(6,152)	4,317	147,232
Furniture, fixtures and equipment	580,810	10,092	(17,100)	34,395	608,197
Vehicles	13,912	2,943	0	0	16,855
Building under construction on lease land	149,024	135,623	0	(89,469)	195,178
Computer system under installation	20,764	7,726	0	(3,018)	25,472
Furniture and equipment under installation	20,899	194,462	0	(46,875)	168,486
Total	<u>3,608,375</u>	<u>738,988</u>	<u>(26,408)</u>	<u>0</u>	<u>4,320,955</u>
Accumulated depreciation :					
Building, building on lease land					
and improvement on lease land	243,224	44,504	(277)	0	287,451
Computer system	59,967	16,068	(22)	0	76,013
Office supplies	59,690	12,756	(6,608)	248	66,086
Furniture, fixtures and equipment	191,920	41,474	(5,993)	(248)	227,153
Vehicles	2,672	1,513	0	0	4,185
Total	<u>557,473</u>	<u>116,315</u>	<u>(12,900)</u>	<u>0</u>	<u>660,888</u>
Net book value	<u><u>3,050,902</u></u>				<u><u>3,660,067</u></u>

Property, plant and equipment at book value before deducting accumulated depreciation in fully amount as at June 30, 2005 and December 31, 2004 amounting to Baht 38.31 million and Baht 31.48 million respectively are still being operated.

As at June 30, 2005 and December 31, 2004, the Company has mortgaged all leasehold (note 10.1) 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 1,599 million and Baht 1,675 million, respectively.

10. INTANGIBLE ASSETS

Intangible assets consist of:

10.1 Leasehold

Baht : Thousand

	Consolidated	Parent company	
	June 30, 2005	June 30, 2005	December 31, 2004
Deferred leasehold	438,035	438,035	336,919
Add Increase during the year	114,623	114,623	101,116
Less Accumulated amortization	(56,664)	(56,664)	(48,321)
Deferred leasehold - net	495,994	495,994	389,714

Amortization of leasehold : For six months ended June 30, 2005 amounting to 8,343 (Thousand Baht).

For six months ended June 30, 2004 amounting to 6,421 (Thousand Baht).

Deferred leasehold are leasehold land and building which amortized on a period of the lease agreement. In 2005 and 2004, the Company made payment for additional leasehold amount of Baht 114.62 million and Baht 101.12 million, respectively. The period of the lease is 24-30 years.

10.2 Computer programme

Baht : Thousand

	Consolidated	Parent company	
	June 30, 2005	June 30, 2005	December 31, 2004
Computer programme	94,125	94,125	45,841
Add Increase during the year	4,215	4,215	48,284
Less Accumulated amortization	(25,514)	(25,514)	(19,618)
Computer programme - net	72,826	72,826	74,507

Amortization of computer programme : For six months ended June 30, 2005 amounting to 5,896 (Thousand Baht).

For six months ended June 30, 2004 amounting to 4,624 (Thousand Baht).

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

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

Baht : Thousand			
	Consolidated	Parent company	
	June 30, 2005	June 30, 2005	December 31,2004
Bank overdrafts	0	0	148
Loans from finance companies - promissory notes	0	0	400,000
Total	0	0	400,148

11.1 As at June 30, 2005 and December 31, 2004, the Company has overdrafts line with several banks for credit lines of Baht 120 million and some of credit lines are guaranteed by leadshold and construction.

11.2 As at December 31, 2004, the Company obtained loans from finance companies of Baht 400 million in the form of short-term loans from several financial institutions by issuing promissory notes of Baht 200 million, are due at call for some portion and bill of exchange of Baht 200 million, are due in January 2005.

12. 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.

13. LONG-TERM LIABILITIES FROM HIRE PURCHASE AGREEMENT

Baht : Thousand			
	Consolidated	Parent company	
	June 30, 2005	June 30, 2005	December 31,2004
Long-term liabilities from hire purchase agreement	34,636	34,636	27,429
Less Current portion of long-term liabilities	(16,956)	(16,956)	(13,971)
Total	17,680	17,680	13,458

14. LONG-TERM LOANS

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

	Baht : Thousand	
	June 30, 2005	December 31, 2004
Long-term loans	932,000	1,021,417
Less Current portion of long-term debt	(204,000)	(172,000)
Long-term loans - net	<u>728,000</u>	<u>849,417</u>

As at June 30, 2005 and December 31, 2004, the Company has long - term loans from 2 commercial banks for 1 and 3 credit lines, respectively which consist of :

		Baht : Thousand			
No. of credit line	Amount of credit line	Amount of Baht		Repayment Conditions per	
		June 30, 2005	December 31, 2004	installment/ per month	Interest Rate
1	36,000	-	9,750	Baht 0.75 million	MLR
2	40,000	-	11,667	Baht 0.83 million	MLR
3	1,000,000	932,000	1,000,000	Baht 17.00 million	Fixed for 2 years at
Total		<u>932,000</u>	<u>1,021,417</u>		2.95% - 3.65% and
					MLR - 1% thereafter

The Company used real estate and leasehold right as guarantee for such credit lines (note 9, 10 and 11).

15. DEBENTURES

Debentures of Home Product Center Public Company Limited consist of :

	Number of debentures (Unit)	Amount (Thousand Baht)
	June 30, 2005	June 30, 2005
Unsecured Debentures		
- # 1/2548		
- # 1	500,000	500,000
- # 2	500,000	500,000
	<u>1,000,000</u>	<u>1,000,000</u>
Less Current portion of liabilities		0
Balance		<u>1,000,000</u>

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

Name of debentures	" The Unsubordinated and Unsecured Debentures of Home Product Center Plc. No. 1/2005 Series 1 Due 2008 "	" The Unsubordinated and Unsecured Debentures of Home Product Center Plc. No. 1/2005 Series 2 Due 2009 "
Amount of Baht	Baht 500 million	Baht 500 million
Period	3 (three) years from issuance date	4 (four) years from issuance date
Issuance date	March 17, 2005	March 17, 2005
Interest rate	At fixed rate of 5.00 % per annum	At fixed rate of 5.40 % per annum
Terms of interest	Pay every March, June, September and December of each year.	Pay every March, June, September and December of each year.
Principal repayment	On the redemption date March 17, 2008	On the redemption date March 17, 2009

16. COMMON SHARES

The weighted average number of common share in dividing net profit for the period ended June 30, 2005 and 2004 were 796,219,260 shares and 753,000,000 shares, respectively.

17. 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.

18. EARNINGS PER SHARE

Consolidated and parent's financial statements

	For three months ended June 30, 2005		
	Profit (Baht)	Number of share	Baht/share
Basic earnings per share			
Net profit of common shares	115,499,743.12	819,351,037	0.14
Effects of diluted potential common share			
- Exercise rights		50,652,199	
Diluted earnings per share			
Profit of common shareholders assumed as			
conversion to common share	115,499,743.12	870,003,236	0.13

Consolidated and parent's financial statements

	For three months ended June 30, 2004		
	Profit (Baht)	Number of share	Baht/share
Basic earnings per share			
Net profit of common shares	87,521,408.81	753,000,000	0.12
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	87,521,408.81	807,570,423	0.11

Consolidated and parent's financial statements

	For six months ended June 30, 2005		
	Profit (Baht)	Number of share	Baht/share
Basic earnings per share			
Net profit of common shares	216,940,031.37	796,219,260	0.27
Effects of diluted potential common share			
- Exercise rights		50,652,199	
Diluted earnings per share			
Profit of common shareholders assumed as			
conversion to common share	216,940,031.37	846,871,459	0.26

Consolidated and parent's financial statements

	For six months ended June 30, 2004		
	Profit (Baht)	Number of share	Baht/share
Basic earnings per share			
Net profit of common shares	167,102,106.31	753,000,000	0.22
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	167,102,106.31	807,570,423	0.21

19. WARRANTS

19.1 Warrants issuance to the existing shareholders

As the Company's allotment 15,000,000 units of warrants to purchase ordinary shares of Company to employees of the Company (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.

	Amount of unit	
	June 30, 2005	December 31, 2004
Number of warrants brought forward	187,500,000	187,500,000
The number of exercised warrants up to June 30, 2005	(100,389,957)	(3,000,000)
Balance number of warrants	87,110,043	184,500,000

The aforementioned exercise right resulted increasing in common shares and premium on share capital of Baht 95.78 million and Baht 193.29 million, respectively.

19.2 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.

	Amount of unit	
	June 30, 2005	December 31, 2004
Number of warrants brought forward	15,000,000	15,000,000
The number of exercised warrants up to June 30, 2005	(3,544,330)	(3,089,030)
Balance number of warrants	11,455,670	11,910,970

From such exercise right resulted increasing in common shares and premium on share capital as at June 30, 2005 of Baht 3.54 million.

20. COMMITMENT AND CONTINGENT LIABILITIES

20.1 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 June 30, 2005 and December 31, 2004 of Baht 38.19 million and Baht 66.48 million, respectively.

20.2 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.

20.3 In 2005, The Company has commitment from opening letter of credit with a commercial bank amount of USD 0.37 million.

21. DIVIDENDS PAID

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

22. 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 six months ended June 30, 2005 of Baht 3.4 million (for the period of three months ended June 30, 2004, for the amount of Baht 3.0 million) which was presented in selling and administrative expenses.

23. TRANSACTION WITH RELATED COMPANIES

The Company's financial statements are included the transaction with its related companies of which related by common shareholders and/or directorship. These transactions are determined the policy as follows :

<u>Type of inter - transaction</u>	<u>Determination pricing policy</u>
Trading transaction between the Company and subsidiaries with related companies	Price and benefits are concluded in the normal course of business or the agreement concerned for non - market value transactions.

<u>Related companies</u>	<u>Relationship</u>
- Land and Houses Public Company Limited and subsidiaries	- There are common shareholders and co-directors.
- Quality Houses Public Company Limited and subsidiaries	- There are common shareholders and co-directors.
- Quality Construction Products Public Company Limited and subsidiaries	- There are co-directors.
- The Book Club Finance Public Company Limited	- There are co-directors. This company is merging with Land and Houses Credit Foncier Public Company Limited of which part of its share capital held by Land and Houses Public Company Limited

	Baht : Thousand		
	Consolidated	Parent company	
	June 30, 2005	June 30, 2005	December 31, 2004
Deposit with financial institutions - promissory notes			
The Book Club Finance Plc.	535,000	535,000	0
Accounts receivable			
Land and Houses Plc. and subsidiaries	85,382	85,382	65,432
Quality Houses Plc. and subsidiaries	13,658	13,658	15,013
Total	99,040	99,040	80,445
Accounts payable			
Quality Construction Products Plc. and subsidiaries	639	639	634
Total	639	639	634
Sales of goods			
Land and Houses Plc. and subsidiaries	216,346	216,346	338,656
Quality Houses Plc. and subsidiaries	50,194	50,194	135,299
Total	266,540	266,540	473,955
Purchase of goods			
Quality Construction Products Plc. and subsidiaries	2,304	2,304	4,803
Total	2,304	2,304	4,803

24. SUBSEQUENT EVENTS

The remaining warrants to purchase ordinary shares (HMPRO-W1), allotted to the existing shareholders as at June 30, 2005 for 87,110,043 units will be expired on July 25, 2005. These HMPRO-W1 will be delisted from the SET on July 26, 2005 onwards.

25. DISCLOSURE AND PRESENTATION OF FINANCIAL INSTRUMENTS

25.1 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 3.

25.2 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.

25.3 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.

25.4 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 and debentures of Baht 1,000 million were presented in balance sheet for the amount of Baht 932 million and Baht 1,000 million, respectively (at the interest rate as stated in note 14 and 15), had fair value approximately of Baht 905.29 million and Baht 999.11 million, respectively. Fair value are estimated by using present value of cash flow at the rate of 5.75% 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.